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# THE MAGAZINE OF WALL STREET
## and BUSINESS ANALYST

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CONTENTS




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# With The Editors

## Creating Its Own Momentum

THE stock market began its phenomenally sharp rally on Monday, June 20. On the following day a friend of ours who runs a suburban hardware business came into the city on a buying expedition for his store, and the orders he placed were all marked "rush." We asked if there was some particular reason for changing his cautious inventory policy and his answer was emphatic.

"I know from past experience that before the end of the week I'll be selling the goods I've ordered today. When the market turns up so suddenly it is for some reason that I can't see yet, but it always has the same effect. I'll sell more paint, repair materials, marine goods and so forth in the next two weeks than I have in the past two months. People have been waiting for an excuse to become optimistic, but they couldn't do it in a bear market."

The money spent by the hardware man on that day had its effect on his jobbers. Their stocks were by no means as low as his, but when a few other retailers followed suit with their orders, the jobbers began to get in touch with the manufacturers. Inventories at the factories were high in relation to current demand, but many of the manufacturers took the precaution of adding to their stocks of raw materials. Increased activity in copper and lead and rubber followed, and even the factories which had felt no quickening of demand were impelled to look to their position in raw materials.

The element of speculation is visible all through the process, from the merchant who anticipated his customers' demands before he was sure they would arise, to the manufacturer who contracted for an additional supply of copper for which he had as yet no use. Probably the same thing may be said of the rise in the market itself. It has been speculative in the sense that buyers have been attempting to anticipate a demand for stocks; if the demand is disappointing the move will prove to have been a false one.

We have a feeling, though, that the justification for the move will be increasingly evident. It will be created partly by itself, by the increase of over seven billion dollars, for instance, in Big Board stock values in the month of June alone. Speculative? In a sense, yes. Psychological? Mainly so. But all business is a speculation and depends upon the mental attitude of business men toward the future. Here is the country's opportunity to forget its pessimism.

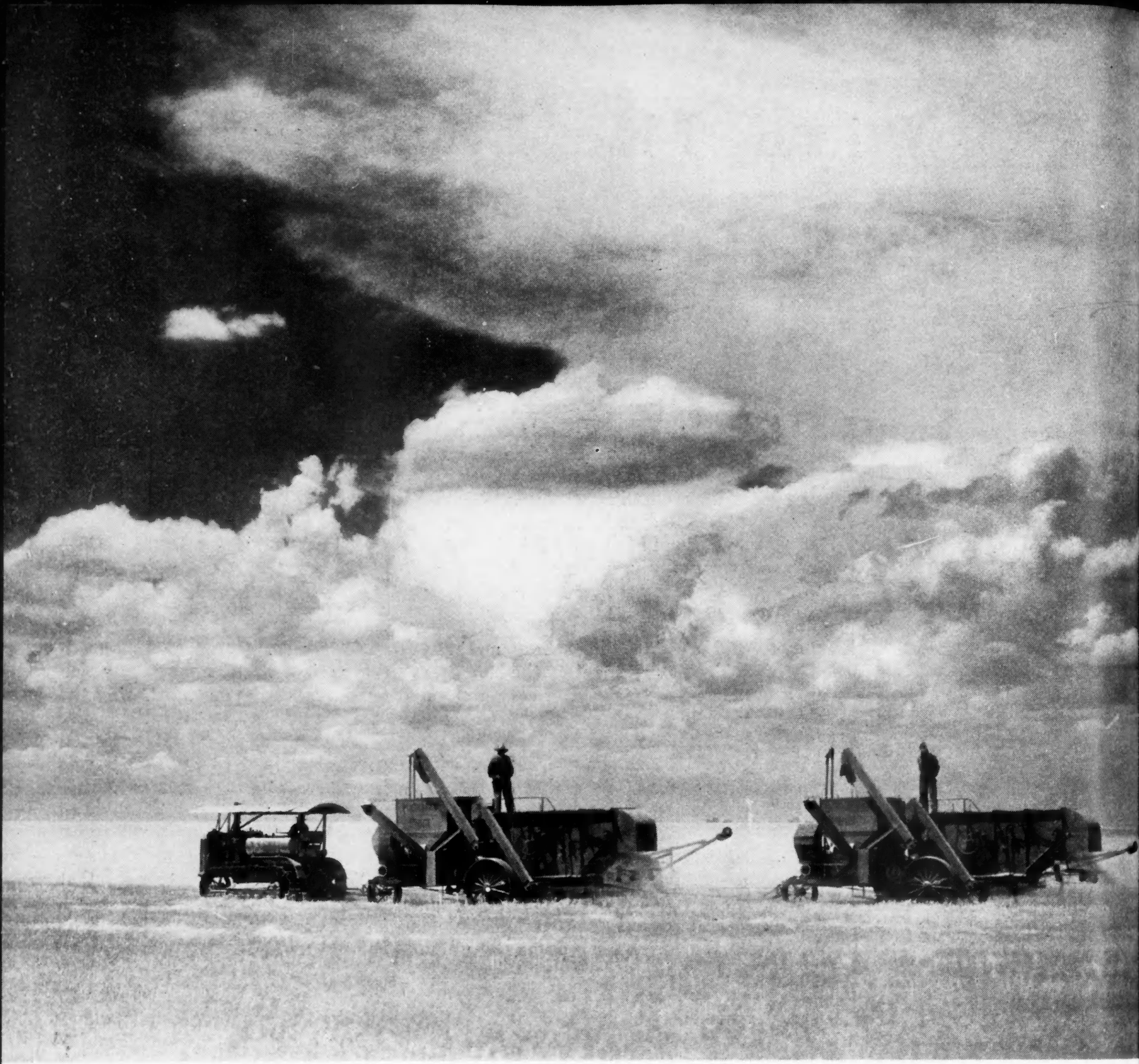
*** * * COMING FEATURES OF IMPORTANCE * * ***

**Recovery Outlook and Mid-Year Dividend Forecast for All Leading Stocks**

**July 30 issue — Rails, Utilities, Equipments**

**August 13 issue — Steels, Movies, Foods, Chemicals, Tobacco, Motors**

**August 27 issue — Oils, Metals, Aviation Building, Merchandising**

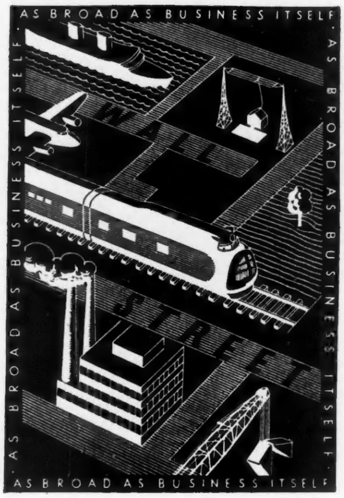


*Nesmith*

From all indications the United States this year will harvest one of the largest wheat crops in its history. The total yield promises to be considerably greater than combined domestic and export demand, a condition which is certain to release government assistance along several fronts—crop loans, acreage quotas, etc. The net results will be a vital contribution to the business and economic prospect.

# THE MAGAZINE OF WALL STREET

E. KENNETH BURGER, *Managing Editor* : C. G. WYCKOFF, *Publisher* : THEODORE M. KNAPPEN, LAURENCE STERN, *Associate Editors*


# The Trend of Events

**INVENTORIES DOWN, DEMAND UP . . .** Inventories of most types of consumption goods in distributors' hands—both retail and wholesale—have declined substantially during the past six months, and the modest beginning of replenishment which became evident several weeks ago has now developed rapidly under the stimulus of sharp recovery in commodity and security markets. The movement appears to be the typical first phase of the upward economic cycle. If so it should spread fairly soon to consumers' durable goods, such as automobiles, and eventually to the so-called heavy industries largely dependent on demand for capital goods.

It is natural that this tangible and psychological change in the tide should be reflected in simultaneous improvement in the more sensitive commodity prices. Raw materials at this writing have advanced some 12 to 15 per cent above the depression low but have recovered only a small fraction of total previous decline and, indeed, have not yet bettered the average level of the first quarter of this year.

Somewhat further recovery in raw materials is probable and desirable. It would tend to narrow the recent very considerable disparity between prices of such products and prices of finished goods, since composite level of finished goods is unlikely to show any early advance and may work a bit lower as heavy industry concessions are made here and there, such as recently in the case of steel and tractors. Stocks of most raw materials appear large enough to keep a price recovery within reasonable bounds but represent no serious obstacle to economic revival. They are large only in relation to depressed consumption and can be worked down to normal levels within a reasonable period of time, provided the general business trend continues upward without significant interruption.

**RAILROAD FARES ADVANCE . . .** Early this month the Interstate Commerce Commission granted, on an experimental eighteen-month basis, the petition of the Eastern railroads that they be permitted to raise passenger coach fares from 2 cents to 2½ cents a mile. It has been stated that the Pennsylvania, New York Central and New Haven will be among the greatest beneficiaries, although no one knows quite what the results will be, for there is the matter of traffic diversion to private cars and buses. Probably, if there is a general improvement in business entailing, as it undoubtedly would, an increase in passenger traffic, the higher rates will be said to be successful. Conversely, in the unlikely event that the depression deepens the higher passenger fares will be held responsible for contributing to the plight of the Eastern roads.

When the original petition for a passenger fare increase came before the Commission last spring it was denied in a six-to-five decision. At the time Commis-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sioner Eastman dissented vigorously on the grounds that if the roads' managements felt that they would do better with higher fares it was not the duty of the Commission to deny them the right to do what they thought was in their best interests. This attitude is to be commended and it is gratifying that the rest of the Commission now apparently see it that way.

**MOVING TOWARD EASY CREDIT . . .** In policies affecting the country's banking system the Government is confronted with a continuing problem of no small complexity. On the one hand, it wants no recurrence of the series of bank failures which became epidemic in the years after 1930, and it has adopted many safeguards to prevent such a disaster. On the other hand, it is keenly desirous of fostering an easy money credit expansion in the interest of economic recovery.

Many of the early reforms of the New Deal were aimed at strengthening the banking system, including purchase by the R F C of preferred stock of thousands of banks, restriction of security loans, tightening of regulations governing bank examination and bank investment in securities, and bank deposit insurance. While there will be no major relaxation in the various safeguards established, ever since the depression became serious last year, official thought has concentrated more and more on all possible credit-easing moves consistent with reasonable banking safety.

Recent revision of the Federal rules governing bank examiners is the latest step. This cannot be expected to induce any sudden rush of billions of presently idle bank credit into industry, but it will to some extent encourage bankers to assume types of credit risks—both as to loans and investments—which they have not heretofore been able or willing to assume. This change, of course, follows a considerable series of credit easing moves by the various Federal agencies in previous months—including lowering of stock margins, reduction of bank reserve requirements, desterilization of inactive gold, R F C loans to small business, etc.

Further revision of the banking laws is expected to come up in the next session of Congress, partly restrictive and partly expansive. This seems certain to include control or elimination of bank holding companies and may include raising the limit on deposit insurance from $5,000 to $10,000, as well as some easing of the restrictions on bank security underwriting. The last proposal, like the R F C loan program and the revised bank examination regulations, is aimed primarily at providing better credit facilities for small business.

**STEEL ABANDONS BASING POINTS . . .** At one time the Pittsburgh area produced so much of the country's steel that users, no matter where situated, logically paid the Pittsburgh price plus railroad freight to their place of business. Gradually large consuming markets—Chicago, for example—sprang up distant from the Pittsburgh area and local plants were erected in order to serve them as economically as possible. Despite the fact, however, that the steel was produced in the local plant, the price was still the Pittsburgh price, plus freight to the point of delivery. Certain consumers objected highly to this system, wondering why they should have to pay freight from Pittsburgh when the steel actually moved only across the street. In 1924, following a F T C "cease and desist" order, "Pittsburgh plus" was abandoned and several score basing points were set up, the consumer being quoted the price at the nearest basing point plus freight to destination. But the effect of this was largely nullified by the maintenance of basing point differentials. In other words, the consumer no longer paid "Pittsburgh plus": he paid "Chicago plus" in addition to an arbitrary differential of, say, $3 a ton. Nor was this as unreasonable as it might seem at first sight. Chicago consumed more steel than it produced, while Pittsburgh produced more steel than it consumed and in order that Pittsburgh steel might enter the Chicago area the Pittsburgh F. O. B. price had to be lower.

In recent years there has been a great increase in steel producing capacity outside the Pittsburgh area. Hence, the next logical step initiated by the United States Steel Corp. last month. On many products this company now quotes identical prices at Pittsburgh, Chicago and Birmingham. Bethlehem Steel took similar action and quotes identical prices at Pittsburgh, Buffalo and Sparrows Point, Maryland. Other companies have followed the lead of "big steel" and more are expected to.

The latest price developments in the steel industry are probably less an answer to the Government's "monopoly" drive than some appear to think. They are, however, unquestionably of considerable economic importance, although exactly what the results are to be can hardly be discerned clearly as yet. The elimination of the differentials between basing points would appear to narrow the area within which it were profitable for a single plant to seek business. So far as volume is concerned, a blow seems to have been struck at Pittsburgh with corresponding benefits to the South and Middle West, although it is to be remembered that the latter centers now have to operate under the handicap of materially lower prices. The new system has been held to benefit the large company with scattered plants, but if, as is the case with United States Steel and Bethlehem Steel, there is also large capacity in the Pittsburgh area the activity in the outlying plants at the expense of Pittsburgh will not be an unmixed blessing. Not right at the moment, but probably as soon as the steel industry begins to operate at a reasonably profitable percentage of capacity we shall see the construction of additional steel plants as companies not represented in rich consuming districts seek to obtain a share of the business in such localities.

**THE MARKET PROSPECT . . .** Our most recent investment advice will be found in the discussion of the prospective trend of the market on page 376. The counsel embodied in this feature should be considered in connection with all investment suggestions elsewhere in this issue. Monday, July 11, 1938.

# As I See It!

BY CHARLES BENEDICT

## BACK OF THE RISE—AND AHEAD

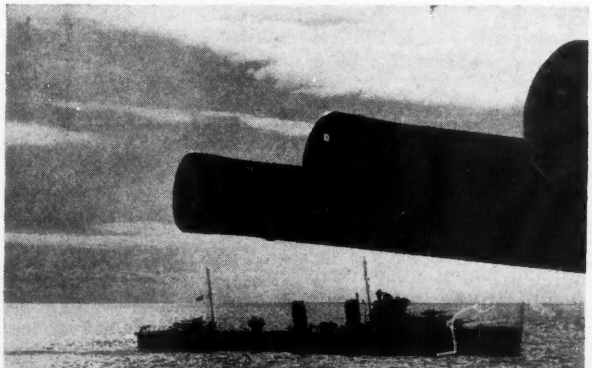
THE sudden rise in the market has been just as puzzling to Americans as the mysterious selling which began last August and culminated in such a devastating decline in March—a decline that was so disheartening economically that many stood in danger of losing the will to carry on.

Just as there was a definite basis for that selling last year, so there is also a definite reason for this sudden rise. Then as now, in large part, the movement started abroad.

When I returned from Europe last year I called attention to the collapse of a speculative boom in England comparable in many ways to our experience in 1929—and pointed out that liquidation of commodities, gold mining shares and American securities held in England, was necessary to avoid bankruptcies, and that not only our markets, but the whole world would be affected due to the importance and influence of the pound sterling.

It was expected that it would take a period of from one to two years to completely liquidate these heavy holdings, but the emergency was so acute as to force considerable necessitous selling in a period of a few months regardless of terrific losses. In addition, England has had tremendous capital and income losses all over the world, as well as the more recent heavy losses in China, in Mexico, in Spain and in Austria. She has already taxed her people drastically, and she needs money badly. The lag in her armament program is now generally admitted to be due to her financial setbacks.

Chamberlain's timid policy, the excessive demands of Mussolini, the audacity of Hitler, the contemptuousness of Japan, all arise from the knowledge of England's financial plight.



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**War is the great uncertainty in the outlook.**

There appeared to be only one way to remedy this situation, that was by loans from the United States where dislike and distrust of the dictators would cause leanings toward the British.

However, under the Johnson Act, we cannot extend credit to her. Therefore a method had to be found to overcome this obstacle. When Ambassador Kennedy returned there were rumors that an agreement had been reached involving the debts and a trade agreement which included devaluation of our dollar in order to give England a greater buying power in these markets. I do not believe that there is the slightest foundation in this latter premise at present, as events seem to indicate that another way has been found.

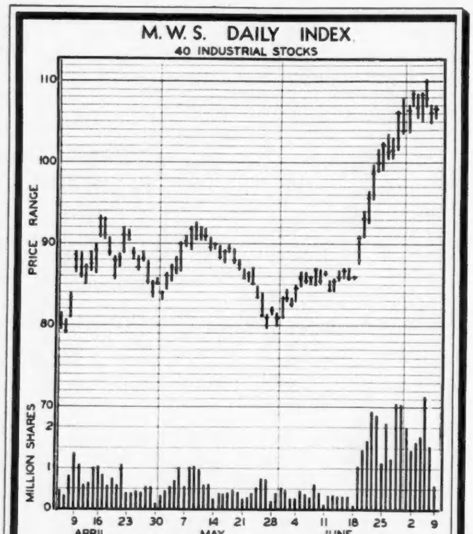
First, simultaneously with Ambassador Kennedy's arrival, a stock market rise of considerable proportions began. This was possible, of course, due to the fact stocks were in strong hands, in a sold out market in which there was a very large short interest. It was the psychological moment for an upmove. A good sized rise in the stock market would enable the British to get out of their shares at a much higher price.

Commodities also have been advancing, but more slowly, due to the large surpluses and greatly increased production everywhere, of raw materials. Now London controls world commodity prices and can artificially manage supply and demand. As an example in manipulation, take the case of rubber, the price of which is controlled in London, and which is a large source of revenue for Britain. Formerly the International Rubber Control in England permitted exportable allowance of British Colonies up to 90% of basic (*Please turn to page 424*)

# Buy? Sit Tight? Take Profits?

BY A. T. MILLER

FROM a longer term point of view, we can say without question that the foundation for optimism has been strengthened during the past fortnight. The course of business activity, commodity markets and security prices should be sufficient by now to convince the most skeptical that the bottom of the depression has been put behind and that the beginning of a new recovery cycle in business volume and earnings is under way. The speed and ultimate scope of such recovery are beyond forecast. It may possibly be slow. It may possibly be interrupted. But the direction of the underlying tide is favorable. Hence it is a valid assumption that eventually we will see much higher levels of business volume, corporate earnings and stock prices than now prevail.




Such a prospect is gratifying to those investors and longer range speculators who bought stocks fairly early in the sensationally fast advance which began on June 20. They are in a position to contemplate any probable near term reaction with equanimity. In the event that autumn political and business developments are such as to speed the recovery cycle, they can sit tight; and if autumn brings sufficient disappointment so that cash again becomes more desirable than equities, they can probably take to the side lines with a whole skin, if not some profit.

Unfortunately for those who have not taken positions, the problem of wisely timing longer range commitments has been made difficult, for the fastest part of the first phase of market recovery very likely has been seen. Their question is whether to buy now, to buy on any moderate technical correction or to await the possibility, some time in coming weeks, of a full intermediate reaction which should carry prices somewhat under recent highest levels and which may conceivably cancel a third to a half of the initial phase of price recovery. While the longer range odds are on the buying side—whichever of these three alternative policies one elects—the most conservative, of course, is the third: that is, to await intermediate reaction. In arriving at a decision, it should be helpful to summarize, first, the technical factors and, second, the business and political factors.

At its most recent high our index of forty representative industrial stocks had advanced approximately 32 points above the bear market low of March 31. This represents a recovery of, roughly, 44 per cent of the entire bear market decline from the high of March, 1937. With full allowance for the thinness of the market, the probable continuing paucity of genuine investment selling and the abnormally low level of money rates, a recovery of that scope over a rather brief period of time can only be held to have discounted business improvement for a considerable time ahead.

No one can forecast precisely how far a market can advance on hope. Because inadequate allowance was made for thinness—the most dynamic technical characteristic of our regulated market—the scope of the advance already experienced surprised the great majority of observers, as did the concentrated slump last autumn. Many traders have been waiting and hoping for reaction. Many others who bought early sold out much too soon. We would not argue for a minute that the market's capacity for surprising advance — advance beyond any justification in the near term business realities—is completely exhausted. Nevertheless we believe it the part of conservatism to hold that any further advance will be living on borrowed time and to assume that probably two-thirds, or more, of the initial phase of recovery has been seen. Particularly among the highest grade industrials, increasing resistance is clearly being met, as is not surprising since some of these issues have recovered as much as 60 or 70 per cent of the entire bear market shrinkage. It may be noted that an average advance of 5 or 6 points in leader type industrials would establish them at a level representing cancellation of some 60 per cent of the entire bear market. That can happen, but it would certainly represent a speculative bet on hope or inflation rather than the tangibles that can be seen in the business picture.

In contrast to selected industrials, our weekly index of 330 stocks, at its highest recent point, had recovered only some 23 per cent of the bear market decline. On any further rally, the movement no doubt would be

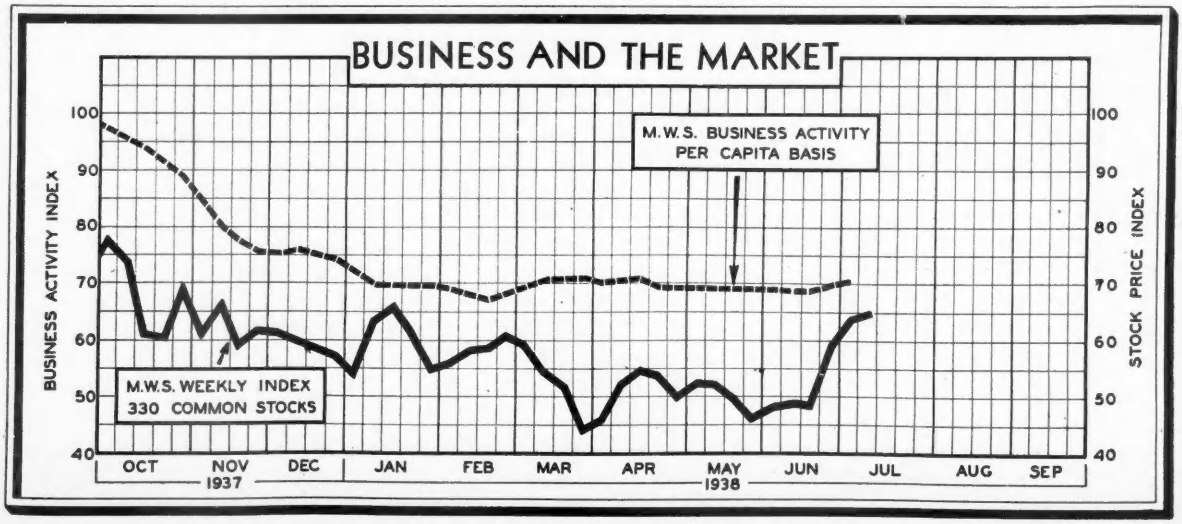
**Recent trends of business, commodities and securities have strengthened the foundation for optimism, but the fastest phase of initial market recovery probably has been seen. Longer range purchases should be made only on reaction.**

more selective than during the past three weeks and secondary stocks probably would figure more prominently in it. We are inclined to think it would be unsafe, from a short term trading point of view, to attach much significance to any such performance; and we would be increasingly skeptical of the short swing prospect if leading industrials continue over the near future to find the going laborious.

Thus far, technical reactions have been of slight proportions and have been accompanied by shrinkage of volume. It is conceivable that adequate technical correction for the present could be accomplished either by a period of consolidation—and at this writing we have had five sessions of churning around without material additional advance in the averages—or by a moderate reaction, and that such correction can be followed by advance to new highs very soon. But we would be content to leave this to the shorter term traders, and as regards longer range commitments we would stick to the reasonable view that the more rally we have now the greater will be the extent of probable intermediate reaction some time during the summer.

Having already turned the corner, business activity will derive positive help from the rise in security markets and the more moderate recovery in raw material prices. It is to be doubted, however, that we will see any such sharp upturn in production or any such rush of forward buying as occurred in the initial phase of recovery in 1933. Indeed, it is much to be hoped that nothing of the kind happens, for it would make serious set-back inevitable. If this were likely, it would seem that a buying rush would have been touched off already on the signal given by the market spurt. Instead, business expectations and commitments, while rising, thus far remain moderate. The painful lesson resulting from excessive optimism and forward buying late in 1936 and early in 1937 is still a vivid memory. So is the lesson that it is easy to exaggerate the potentialities and the time of inflation—barring war—for although the New Deal has at times fed the inflation psychology and has in fact given us a considerable bank credit inflation, it has also demonstrated its ability to call at least a temporarily devastating halt on the inflation process. As long as private borrowing plays a relatively small part in the picture, it should be obvious that economic recovery depends mainly on expansion of Government credit and that any cessation or slackening in Government credit expansion—in the absence of offsetting expansion of private credit—will promptly be followed by business relapse. There need be no fear that the Government will put the brakes on any time soon and certainly not before the election. Nevertheless the underlying uncertainties of New Deal credit management—as well as the uncertainties involved in the coming Congressional elections—are sufficient to suggest the wisdom of tempering optimism with caution as we rejoice in fast stock market recovery.

We can probably expect little more than a partial consumption goods recovery by autumn. The last bull market assumed sustained momentum only when, in 1935, recovery spread into consumers' durable goods and gave the first real lift to the heavy industries. In relation to that kind of recovery—barring dynamic inflation—the November election will be very important.



# Financing Recovery

## Today's Necessity Is a Combination of Public and Private Credit Extension

BY JOHN D. C. WELDON

THE bottom of the Roosevelt depression has apparently been seen and we are headed toward the second Roosevelt recovery. These terms are used advisedly and not at all invidiously. To speak of "depression" and "recovery" as phenomena peculiar to private enterprise, without relationship to Government, would be misleading, if not meaningless. Under the New Deal efforts of Government to guide and control the functioning of the economic system—a trend which began long before Mr. Roosevelt's day—have become the most dynamic single factor in the swings of the business pendulum.

That fact must be clearly understood before we can hope to appraise the realities of our present position or formulate even an intelligent conjecture as to the longer economic prospect.

We can measure the scope of a recovery cycle in terms of volume of production, employment and so forth, but these are really external manifestations. In broad and simple terms, the primary cause of the business cycle is variation in the employment of capital; the primary cause of long term economic progress, such as characterized our economy for generations prior to 1929, is the creation and employment of capital in adequate volume; and the primary cause of the stoppage of long term economic progress in recent years has been deficiency in creation and employment of capital. This amounts to saying that economic expansion—rising production of goods and services and increasing employment—must be financed. To appraise the character of any such expansion cycle we must look to the sources and methods of its financing.

### The Government's Role

It can be readily demonstrated that the Government played the dominant role in financing the first New Deal recovery, since all statistics relating to the creation and employment of private investible funds show a huge deficiency as compared to former cycles of recovery. The major sources of private investible funds, from the point of view of business management, are, in the order named: business earnings, including depreciation; security financing, which taps savings in the hands of fiduciary institutions and individuals; and short term bank loans. In the aggregate, as tax returns show, there were no net business earnings available for long term investment over the period 1933-1935. Depreciation was a source of investible funds over that period, but such funds were utilized more for working capital, debt retirement, etc., than for replacement of plant and equipment. There was substantial recovery of earnings in 1936 and 1937, but the undistributed profits tax prevented such funds from playing their former role in financing a continued recovery spiral. This tax not only checked long term investment of surplus earnings but also actually impaired business working capital.

As for security financing, total corporate new capital flotations over the five years 1933-1937 amounted to only \$3,120,000,000. This is, roughly, one-seventh of the total of such financing over the five years 1925-1929, even if we exclude from the latter total all non-productive issues, such as investment trust financing.

Turning to bank loans and discounts, the total expansion shown by all reporting member banks of the Federal Reserve System between March, 1933, and the peak of such credit in September, 1937, was approximately \$1,320,000,000. In the prosperity cycle which ended in 1929 this figure was increased by more than \$7,000,000,000. Moreover, the highest level of bank loans reached in the New Deal recovery was more than \$1,000,000,000 *less* than outstanding bank loans at the very bottom of the Hoover depression in July, 1932. Finally, the maximum expansion of bank investments in other than Government bonds during the first New Deal recovery was only \$187,000,000, as compared with expansion of, roughly, \$1,222,000,000 during the 1923-1929 expansion.

Therefore, we must conclude that private financing played a secondary role in the 1933-1937 recovery, with the dynamic financial stimulation being provided by the Government's deficit spending and resultant expansion of bank investments and deposits. The New Deal recovery was inadequate, as compared with 1923-1929 per capita standards, for two reasons. First, the combined total of Government financing and private financing was less over this period than the total of private financing of all kinds in the prosperity cycle of the '20's. Second, there is convincing evidence that, dollar for

dollar. Government financing produces less economic stimulation than private financing. Col. Leonard Ayres has estimated the ratio as approximately two to three. We cannot vouch for the calculation, but certainly it is obvious that—leaving out any question of waste or inefficiency—a huge part of any Government pump priming expenditures will go into public projects which, however desirable from a social point of view, are neither economically productive nor, with few exceptions, even self-supporting. A new park is a valuable addition to public wealth, but a continuing drain on public income. A new factory is both an addition to the national wealth and a potential source of future national income and tax revenues.

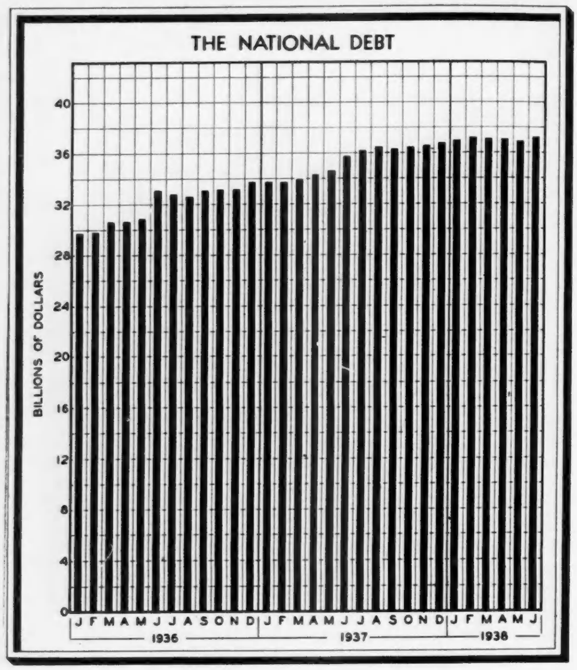
Again, we must note that the vastly expanded bank deposits which found their way to private hands as a result of the New Deal's deficit spending and credit reflation have persistently tended to do less work than formerly. Throughout the New Deal recovery, velocity of demand deposits—a measure of the volume of monetary transactions conducted via the medium of bank checks—remained far lower than in the '20's.

Well, will the second New Deal recovery cycle be any different in its financial characteristics, any more lasting than the first one, any more effective in putting us back on the road to long term material progress from which we detoured in late 1929?

Unfortunately, the evidence is only moderately hopeful. The most important change for the better has been the virtual elimination of the undistributed profits tax and the major revision of the capital gains tax. These two changes can tend to foster the creation and investment of capital. Although Mr. Roosevelt apparently does not realize the fact, they can greatly contribute to a revitalized private capitalism and thereby make *possible* a gradual transition to more private financing of economic expansion, less Government financing—the objective publicly proclaimed by the President when he jumped into pump priming in 1933 and generally accepted by the American people.

The whole theory of pump priming rests on the assumption that the pump needs *only* priming; that, once primed by Government financing, private financing will progressively "take over the load," permitting withdrawal of Government stimulation and contraction of the Government debt. There is nothing wrong with the theory. The defects have been—and are—in its execution. In practice, Government stimulation has been late in becoming effective, late in curtailment. What is much more fatal to the scheme, the Government has persistently failed to offer private capital the inducement for increased investment imperatively needed to carry on the recovery spiral started by pump priming. On the contrary, the sum total of New Deal policies has been to lessen the inducement for private investment.

The tax changes will not become effective promptly for two reasons. First, the President opposed them and will seek at the next session of Congress to restore in some degree the former investment-stifling taxes. Therefore, until they know the outcome of the November



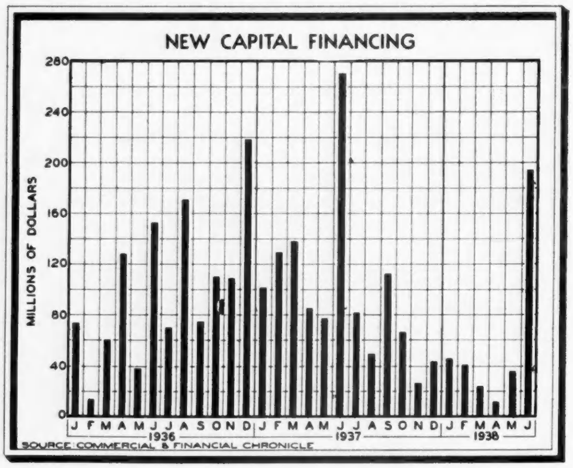

election, business men and investors cannot safely accept the recent revisions as permanent. Second, before the present corporate tax can permit reinvestment of surplus business earnings there must be a recovery of earnings.

Market conditions are favorable for security financing by corporations of high credit rating, obstacles involved in S E C regulation have been to some extent smoothed out and both issuers and underwriters have adjusted themselves fairly well to the requirements of public regulation of security issuance. If security financing plays as small a part in the coming recovery as it did in the first New Deal recovery, it will not be because of insuperable technical obstacles. It will be for reasons relating to the opportunity for investment as judged by borrowers and by lenders. Several substantial issues have recently come out, possibly the start of a favorable trend.

Regardless of all surface indications which politicians glibly cite, the New Deal to date has been a tragic failure. How so? Because its primary and publicly proclaimed goal was *both* to reform and revitalize our capitalist system in such manner as to provide increased economic stability and security for the average person. If we are any nearer to this wholly desirable objective now than we were five years ago or ten years ago or twenty years ago, that fact is not apparent to this writer's eye. We are no nearer to a satisfactory solution of our unemployment problem. We have not stabilized our economy, as is self-evident from last year's precipitate slump in industrial production and in security and commodity prices. If the common man is more secure than formerly, this is thus far due mainly to his subsidization by Government money—a security that cannot continue indefinitely without intolerable strain on the public credit and which must be paid for either by present taxpayers or future generations of taxpayers.

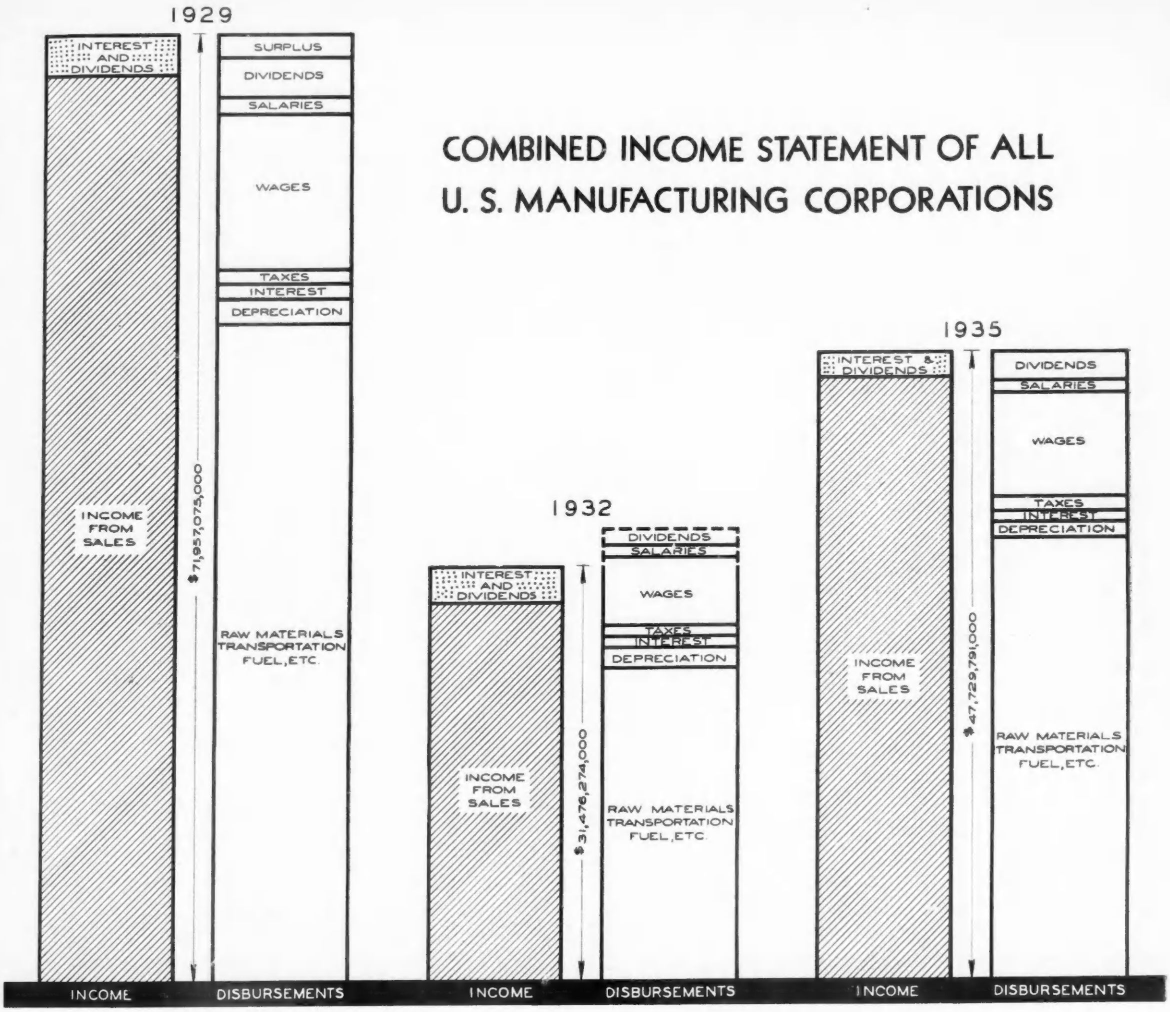
Are the New Deal reforms a success? On the whole, they might be considered so, if they could be divorced from the related problem of revitalizing the capitalist system—but they cannot be so divorced. They and an effectively functioning capitalism are Siamese twins. To reform a dead capitalism would be meaningless. Soviet Russia has no need for stock market regulation. Our point is that the present New Deal reforms cannot be accepted as permanent unless we are to have a future material progress satisfactory to the American people within the framework of the profit system. If private capitalism cannot serve the American people to their satisfaction—or if it is prevented by governmental policy from so serving—we will inevitably move further and further away from capitalism and toward a collectivist, politically administered economy. The further we move along the latter road, the greater becomes the practical political need not for reform of the previous order but for authoritarian regulation.

And right here we come to the heart of the fear and uncertainty among business men and investors. They can adjust themselves without undue difficulty to the changes already made in the rules of the game. They cannot satisfactorily adjust themselves to the chronic uncertainty of ever *more* changes in the rules—a new rule before the last one has been mastered, new rules every month, the whimsical and unpredictable entrances of the umpire into the actual play of the game, the constant feverish pitch of political experimentation. They don't know even the approximate boundary lines of the kind of economic system and the kind of national Government that Mr. Roosevelt is striving for.




There has been a great deal of emphasis on idle men, altogether too little on idle money. Each problem is identical at bottom. Put idle money to productive work and all men capable of work will find employment in no great time. But the New Deal evidently believes the way to get private money on the job is to use the whip and not the feed bag. Capital can be destroyed or driven into tax-exempt bonds or chased out of the country—but it should be obvious that in a democracy of any kind it cannot be *forced* to work any more than an individual laborer can be forced to work. Like the laborer, it will work if given reasonable opportunity for work at reasonably satisfactory terms.

Let us see if we can state (*Please turn to page* 420)




# American Industry Reports

THERE was a time when most corporations gave too little information about their affairs to stockholders and no information at all to employees. Today an increasing number see the wisdom of cultivating understanding and good will by providing both shareholders and workers with the most complete possible information in the simplest possible form.

Put on the defensive by political attack, American industry is especially in need of "selling" itself to its employees and the public. It has a good case, but millions of people don't know it and passive resistance is a feeble answer to the demagogues who delight in painting a vague picture of incorporated greed, huge profits, cheated consumers and sweated labor.

Using official Government figures, the National Industrial Conference Board has prepared a "Combined Report of American Industrial Management to Employees and Stockholders"—a consolidated operating statement for all manufacturing corporations, covering results for the years from 1929 through 1935. The latter year is the last one for which official data is available. The charts on this page show how much money manufacturing industry took in, and how it used this money, in the years 1929, 1932 and 1935.

On an average, more than 70 per cent of the money taken in is paid out for materials, transportation, fuel, etc. Out of what is left labor gets 57 per cent; about 12 per cent is set aside for depreciation of plant and equipment; interest, taxes and salaries of managers account for about 6 per cent each; and balance of about 17 per cent goes partly to stockholders and partly —good years only—to surplus. (*Please turn to page 422*)

# Behind the Scenes With Labor

BY DANIEL CRONIN McCARTHY

*Courtesy Colorado Fuel & Iron Co.*

ORGANIZED labor is on the anxious seat. It is even more concerned over the recent shaping of events than are the employers. What is feared, is that under the administration of President Roosevelt the Government will more and more take over control, direction and management of the labor unions, and limit or amend the right to strike. Eliminate the right to strike and you kill the unions as we have known them for, to quote Gompers, "The basic difference between the freeman and the slave is that one may strike, the other may not."

The major step in this direction was the National Labor Relations Bill. The next was the Wages and Hours Bill. The first set up a board that has the making or breaking of unions in its power. The latter provides for a board that has all the power of the old N R A minus the "dead chicken clause" that eventually put Gen. Hugh L. Johnson and his army out of business, but plus the power to fix wages and hours within limit.

Under the combination of N L R B and wage-hour regulation, there arises the possibility of a greater regimentation of labor than America has ever known or has been witnessed save in Germany and Italy. There, as labor well knows, its troubles began with the governments doing the work of the unions and concluded with the governments controlling and swallowing the unions.

That labor regulation is not intended to stop where it is in this country is evidenced by the President sending a joint committee to England to study English labor laws, headed by Gerard Swope, president of the General Electric Company, and one of the fathers of the old N R A.

The nub of the English labor laws is the strike law of 1927, enacted by Ramsey MacDonald's "labor government" following the great general strike of 1926.

This act forbids, among other things, sympathetic strikes and all strikes interfering with the processes of government. It forbids mass picketing and provides that unions may, through their leaders, be sued for broken contracts. Finally, it outlaws the jurisdictional strike, unquestionably and undoubtedly the curse of American industry.

It is explained by members of the Commission that they do not propose to really copy the English law. Perhaps not, but it is a safe assumption that they will bring home a good deal of its principles.

Meanwhile both labor and capital are damning the N L R B and the Wages and Hours Act. Each is on record for amendment of the former and William Green, who was alternately for or against the Wages and Hours Bill as it whirled its kaleidoscopic course through Congress, has announced that he will ask its repeal or major amendment when Congress reassembles in January.

Under cover of all this, individual employers and groups of labor men have been working for understandings and agreements.

Thus only a few weeks ago, the United States Chamber of Commerce startled the country by declaring for

cooperation between labor and capital. Both labor interests and employers were wondering what had happened.

Within 48 hours, however, the Executive Council of the American Federation of Labor, whose unkindest epithet had been Chamber of Horrors, formally declared the Chamber blessed and extended the right hand of fellowship to the comrades.

The lion and the lamb were laying down together according to plan.

There are many in the labor and business world who have crossed the muddy Missouri. After the habit of the Missourians they asked questions. They found that declarations had been arranged, in a series of conferences in New York and Washington following a chance meeting of Harry C. Bates, the fighting president of The Bricklayers International Union, and the peace loving president of the American Rolling Mills Company, C. R. Hook. In some of these conferences William Green sat. He may sit in others.

There have been many such conferences—John L. Lewis now calls Mr. Taylor, U. S. Steel's former chairman, Myron, and Myron calls Lewis, John, they have conferred so often. Green wears dinner clothes like a uniform and his frequent trips to New York are taken up with formal and informal meetings—some of them where "fixers," with which New York and Washington are filled, have seats.

The results of these conferences are sometimes humorous, sometimes tragic, from the standpoint of labor.

One industrialist succeeded in selling his old company union to a C. I. O. affiliate, and incorporating its rules in a labor contract "the likes of which," to use the words of an old song, "were never seen before."

Another has become what realtors call "a tenant at will" by rigging up an agreement good for 30 days in which he may make a valid government contract and then go open shop again.

It will be interesting to note how the Executive Council of the Federation, wise to all these things, will act in their August 21 session in Atlantic City.

That it will be stormy goes without saying. The convention that meets in October is even more promising.

In the former men speak in private and it is possible for a high ranking officer to be told he is "Ineffective, incompetent, represents nobody and ought to resign" and the reporters awaiting handouts not hear of it. In the latter, speech will probably be in the open and will not be restrained. Its program is yet to be drafted. When it is there is not a doubt that it will be drafted with an eye to what President Roosevelt has in mind. He, it is, who holds the whip hand.

How hard he may apply the whip and to whom is the question.

### Social Workers in Trade Union Jobs

It is true that Mr. Roosevelt came as nearly to getting 100 per cent of the labor vote in 1932 as any person ever did. Every leader of importance except Matthew Woll, John L. Lewis and his pal, William L. Hutchison, were with him in 1932. Again in 1936 Woll and Hutchison were against him. John L. Lewis and $500,000 of miners' money was with him.

In 1933 he refused the solid request of labor to name Daniel J. Tobin Secretary of Labor. Instead he named Frances Perkins.

Miss Perkins had held labor jobs under Al Smith and Roosevelt as Governor of New York. She never was a trades unionist. Instead she was a social worker, though she was very careful not to make her social work offensive to the hard fisted trade unionists who supplied the necessary votes.

The difference, let it be stated, between a trades unionist and a social worker, is the difference between one who believes labor should better itself through economic strength and fix its own wages and hours and one who wants the Government to do it.

Miss Perkins surrounded herself with persons who thought as she did, and who, in many cases, registered as Socialists. She also fitted in with Felix Frankfurter's ideas, with Thomas Corcoran, and others of the "brain twisters," many of whom are now non-est.

Among them they made the labor policy which was to give John Lewis, who had been converted, George L. Berry, who has an eye for things, including Tennessee marble, and Sidney Hillman, with whose aid he had built the Amalgamated Clothing Workers, anything they might wish.

To the American Federation of Labor group she gave nothing. They could not well fight the personal popularity of the President for one thing. For another, Green is credited with being the fastest to say yes when called either to the White House or Mme. Perkins' office.

With the passing of the years, men have begun to talk strangely in council meetings and in conventions. Green was told to be more sparing with his yeses. That failing, definite instructions were voted. The result has put the Federation in a difficult position; and would seem to leave the skilled crafts, who in the main make it up, out of luck with high Administration officials.

### Lewis O. K. at White House

On the contrary, and outward appearance notwithstanding, John L. Lewis has not broken with the Administration or any part of it. His recent refusal to designate a member of the London conference means nothing. He already has a man there—Robert Watt. Watt is on the Federation payroll for $4,000 a year. But he has Mr. Lewis' friendship and full endorsement.

Just how hard and how openly the Federation will fight any labor programs of the President or any bill that may be brought back from Piccadilly remains to be seen.

From the Roosevelt standpoint any fight cannot come until after election.

It would, perhaps, be ungracious to question the motives of industrialists who have private conferences with labor leaders.

Peace is a lovely word. All love it. And if, in laboring for it, impediments to Government contracts are removed and favorable labor contracts made, should one question motives?

Labor will gain if by any scheme or device it ends the jurisdictional strike. Whether it will consider amending or limiting the right to strike as too high a price to pay is another story. But that is what it faces.

# Happening in Washington

BY E. K. T.

**Party purge** plans mapped out by New Deal inner circle are meeting many obstacles of practical politics not foreseen by cloistered planners, and scope of purge has been reduced to those states where anti-New Deal Democrats are on the skids anyway or can be fought without bucking state machines. Important members of the House, as well as Senate, are also marked for slaughter if convenient means can be found. C.I.O. will do some of this axe work, particularly on Congressmen who blocked labor bills.

**Politics in relief** charges will be heard all summer, will continue to be denied by W P A, will be perfunctorily investigated by Senate committee. While many specific charges will be incapable of proof, few will deny that relief is an important factor in politics, that it can't help being so under present system even if all relief administrators were lily white—which they aren't. Relief managers generally realize this and feel reliefers will vote "right" without too obvious coercion.

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**WASHINGTON SEES—**

Roosevelt as the major factor in fall elections.

Democratic party purge curtailed but not abandoned.

Monopoly committee stymied by too many suggestions.

Battle lines forming for wage-hour fights.

Federal control of all rivers will be fought for next Congress.

N L R B extending its power in many new ways.

Social security revision becoming a political issue.

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**Monopoly investigating** committee is mounting its horse and trying to gallop off in all directions at once. Members have such diverse backgrounds, interests and predelictions and their field of action is so vast they are having difficulty mapping a program, but this augurs well for business since it will prevent flying off on a witch-hunting tangent. Dozens of complaints of "monopoly" and oppressive business practices are already pouring into the committee—oil, steel, cottonseed, fertilizer, dairy, etc.—and all business will be on the anxious seat for months, even though promises of an objective study are fulfilled.

**Anti-trust** activity in milk and oil shows Thurman Arnold is determined to get economic results instead of mere legal victories. In oil, winning the two Madison cases did not stop complaints of independents that majors are still squeezing them and manipulating prices, so D. of J. will keep active, determined to show oil executives that paying fines did not give them a license to continue alleged violations.

**Bankruptcy intervention** duties are being taken seriously by S E C under new law effective September 22. Though lacking specific appropriation, S E C is recruiting large staff, determined to take aggressive part in "advising" federal courts on how to reorganize corporations in what it deems the public interest.

**Labor treaties,** the first in United States history, were ratified by the Senate almost unnoticed in adjournment rush. All five pertain to qualifications, hours and compensation of seamen and are designed to equalize operating costs in competitive international shipping. Significance is that students have long suggested use of treaty power to give Congress authority over wages, hours, etc., without Constitutional amendment, since treaties rank with Constitution as supreme law of the land.

**Wage-hour law** battle lines were forming while Roosevelt delayed starting administrative machinery. Antici-

pating drive to lift all wages above statutory minimum and reach 40-cent goal soon, A. F. of L. and C.I.O. have created special committees to be ready for action, while many large trade associations are also laying their defenses. Meanwhile Labor Department unofficially is preparing statistics which the new Administrator will require for wage studies.

**North-South war,** which flared during Senate debate on wage-hour bill, will rage again when law is put into effect. Roosevelt hopes to "do a Lincoln" by "freeing" Southern labor from low wages and living standards, smashing South's "feudal system." In preparation he raised Southern W P A wage rates and launched survey of the South as "nation's number one economic problem." South will fight back by demanding its rail rates be reduced to parity with North.

**Government employees** by the wholesale are "blanketed" into Civil Service by executive order which also creates new personnel agency as link between White House and Civil Service Commission, thus accomplishing much of one of the objectives of Roosevelt's government reorganization bill. While Civil Service extension is laudable, critics point out that some 100,000 political appointees in New Deal agencies will be permanently ensconsed in their jobs without competitive merit examinations.

**Social security** revision will be an issue next year, with several preliminary studies now under way and strong pressure groups forming. Employer demands for lightening taxes and Republican program to "pay as we go" instead of present reserve system will be opposed by Treasury which wants high revenue currently. Organized labor and sociologists of the relief school want complete federal financing, no employee contributions, larger and uniform benefit payments not based on prior earnings. Many states want federal government to take over their unemployment systems. Social Security Board is preparing recommendations for simplifying state systems and enlarging federal old-age payments but not reducing or deferring present tax schedules. Indications are that social security may become political instrument like veterans' bonus and farm benefits.

**Foreign policy** revamping is being studied by Senate committee during recess, carefully coached by State Department, and will be big issue next spring. Administration particularly wants repeal of neutrality law or more discretion in its operation, and this will bring a fight. Other questions will be the Latin-American policy and cooperation of democracies against dictatorships.

**Labor Board,** bragging of its court successes, is boldly extending its authority in promoting its conception of union privileges, chiefly at expense of employers' former rights and practices. The Pacific Coast longshoremen's order is precedent for requiring a trade association or all members of an industry to bargain as a unit with a single union regardless of preferences of individual employers or employee groups. Board is also moving to take jurisdiction over white collar workers, particularly in bank-

*Wide World Photo*

**Indiana's Senator Van Nuys who was saved from the purging efforts of the New Deal by fear that a Democratic split would elect a Republican.**

ing, insurance and other businesses not previously considered in interstate commerce. Many recent decisions show N L R B's belief employers may not do anything to break strikes, not even criticize unions, ask police protection, or publicly discuss their views. Considerably more interpretation of the Wagner Act by the Courts lies ahead.

**Water control** by federal government through regional planning authorities and without interference from state and local agencies is still prime objective of Roosevelt as shown in his veto of pollution bill and signature of flood control bill "with reluctance." Pollution veto, ostensibly because expenditures would be guided by engineers rather than the President, means another fight next year over proposal for federal control and heavy penalties on all industries with waste-disposal problems. Flood control statement presages another drive to "T V A-ize" the country.

**Public power** threat will always be held over private utilities by the New Deal. Example: Roosevelt's warning, via Berle, to New York state constitutional convention to provide for state development of St. Lawrence power or else federal government will establish a power authority there. P W A grants for municipal power plants are temporarily held up pending President's determination of what is fair price for cities to offer for buying existing private systems, a job he has delegated to government-ownership-minded brain trusters. *(Please turn to page 424)*

# Are the Aircraft Stocks Still Bargains?

### Strong and Weak Spots in This Dynamic Industry

BY HOWARD MINGOS

Aircraft manufacturing securities as a whole possess the enviable reputation of being depression proof; and judging by current business and prospects for the future they merit much favorable comment. Some plants are operating on record production schedules. In others the output is tapering off, but in most instances the slack is temporary. The backlog of orders should again be heavy within the next six months. There is enough of golden promise to warrant the belief among most observers that aircraft manufacturing is in an exceptionally healthy condition; and if we may discount some of the hazards confronting all business today, this industry should maintain its stride or even quicken its pace.

Facts for the optimist include the present record volume of business, the capacity of the industry to absorb more orders without costly plant expansion, technical developments which should let the manufacturers sell more equipment of the same model at a greater margin of profit, and the steady growth of foreign trade.

Against those cheerful facts are arrayed the certainty of rising labor costs, the undeniable fact that most of the business is military in character and some assurance that foreign competition may stop exports of what now amounts to about a third of the industry's production.

During the first four months this year the industry delivered planes, engines and spare parts worth $46,000,000 as compared to $30,000,000 the same period last year, itself a record. A very large share of those deliveries were for our Army and Navy air services. Bell Aircraft, Boeing, Brewster, Consolidated, Curtiss-Wright, Douglas, Grumman, Glenn L. Martin, Lockheed, North American Aviation, United Aircraft and possibly others are working on substantial military orders, and with one or two exceptions should receive additional contracts during the next six months. The accessories people, such as Bendix and Sperry, will participate in this business as will all the purveyors of raw and fabricated materials. The military contractors should end the year with a dual record, the greatest peacetime volume of deliveries and their highest backlog of unfilled orders.

*Wide World Photo*

**The "Boeing 314 Clipper," largest flying boat for commercial use in the world as she was launched recently at Seattle, Wash.**

The recent test flights of the Boeing 314 flying boat and the Douglas DC-4 transport attracted public attention by their great size; and they really introduced a new era of giant aircraft which eventually may divide the industry into two branches, builders of large and small machines. Certain types of aircraft will be much larger than anything built today. For example, the giant Douglas DC-4 has landing wheels 4½ feet in diameter. A machine already under construction has wheels 9 feet in diameter.

Of more interest than size is the promise that the big planes will

*Courtesy Sikorsky Aircraft*

**Artist's conception of proposed 100 passenger flying boat the plans for which were submitted by Sikorsky Aircraft to Pan American Airways for trans-oceanic service. This ship is to be capable of carrying a pay load of 25,000 pounds at a cruising speed of 200 to 300 m.p.h. and a range of 5,000 miles.**

bring into the industry enough stability to insure profits. These machines will sell from half a million to one and a half million dollars; and buyers will not demand radically new types with each order when they learn the difference between the price of available models as compared to that of new types which involve heavy development costs. This tendency to use greater numbers of the same model is now apparent in current orders, not only from the air forces, but from the air line operators both here and abroad.

## Today's Ships Last Longer

Technical advances have made possible this approach to standardization, however broad that term may be. Metal construction lasts longer. Improved power plants, with more powerful engines and more efficient propellers, contribute to greater performance and economical operation. As they do not wear out so quickly, there is every reason for the user to buy more of the same model. Because of improved technique the aircraft laboratory is now becoming a factory.

The outlook for commercial airplanes is not as clear, because sales are governed by general business conditions. Sales of private aircraft are slow, to say the least, and there is no telling when they will reach the profit stage. Some plants are doing a fair export business in non-transport planes, and it is one of the principal reasons why they have not closed down. The air lines in the United States have acquired new fleets of transports, and orders from that source may fall off until next year. On the other hand if foreign lines continue to find our transports the world's best, the slack may be taken up from abroad.

In some instances the plants have laid off as much as a third of their labor, giving rise to rumors of dearth of business. But in fact these are temporary lay-offs pending the imminent receipts of large production orders.

A recent survey showed that the industry possessed the plant and equipment capacity to produce twice the volume of its production at that time by doubling the number of employees already at work . This meant that the industry in general could produce more without plant expansion costs.

On the other hand, while the companies might be able to double production without increasing plant facilities, the nature of the orders would show whether or not they could take on more business profitably. Delivery dates, terms of payment, the models to be built, and the availability of those models are points which must be considered in new business.

The survey showing ability to double production without plant expansion was made before France ordered 100 planes from Curtiss-Wright, and England signed contracts for 200 machines from Lockheed and 200 from North American Aviation. There is a general belief that Europe's rearmament race will result in further large orders being placed here; but if the companies take that business, it will be only when they are offered terms that will enable them to produce without costly expansion. The industry learned years ago that one order from only a temporary market meant eventual loss instead of profits, if it involved expanding plants. The older companies will never reorganize or expand on the strength of temporary business—a good thing for the investors.

Superiority of American aircraft products, admitted by competing nations abroad, has built up foreign trade to profitable proportions. The Department of Commerce reports that during the first five months this year these exports amounted to $29,000,000 as compared to about $14,000,000 during the same period last year, an increase of 113 per cent and only 26 per cent below the total for the entire year of 1937.

That record was made despite restrictions imposed by the Government in the form of embargoes, for instance to Spain, and restrictions which the responsible manufacturers impose on themselves. They have cooperated with the Government in its neutrality policy concerning various hot spots that might conceivably cause a world conflagration. The record at this writing is that no


*Courtesy Curtiss-Wright*

**A Curtiss SBC-3 Scout Bomber in flight. The company is now working on a large order of these ships for the U. S. Army.**

American airplane has been employed in bombing civilian populations, and the industry's leaders hope that it never will happen.

Nevertheless, the export business has been growing because some fifty nations want American aircraft products. It is profitable while it lasts; but it can be destroyed by circumstances quite beyond the industry's control. If there is a European war, there will be embargoes under the present policy. If America is dragged into war, profits in aviation may cease entirely.

If Europe remains free from war for the next two years, we may expect to see England, France, Germany and Italy dumping their surplus and obsolescent equipment among the non-industrial nations at prices as low as five cents on the dollar; besides indulging in other forms of trade rivalry against which Americans cannot compete. They include long term credits, government-supported credits and aircraft exchanged for food supplies and raw materials. Those methods have prevailed in the past, and only Europe's intense arms race has abated the nuisance, but it will plague American exporters again when our foreign friends decide on a dumping campaign. At that, it is nothing more than the industry has faced since the end of the World War. Most of the contractors to the American Government participate in this foreign business, as do Aviation Manufacturing Corporation, Seversky, Beech, Waco and others.

Labor has not been much of a problem in the aircraft manufacturing industry, probably because men, particularly young men, like to work in aviation plants and take part in the romance of the aerial age; and too, because on a yearly basis the aircraft factory worker receives better than average pay year in and year out. Lay-offs are rare and loss of time is relatively slight compared to other industries where the work is seasonal. Overtime pay is plentiful. At present only the aircraft plants are working full time in some localities.

But the future holds labor problems. Under the Walsh-Healey Public Contracts Act, the Department of Labor can determine a minimum wage in all industries selling to the Government.

Hearings on a minimum wage for this industry were held by the Public Contracts division of the Labor Department about three months ago. The A. F. of L. and the C. I. O. spoke for labor and the Aeronautical Chamber of Commerce of America presented the industry's documented labor statistics. The trade association showed that shop labor in this industry averages $1,400 in wages a year, not including overtime. Only 25 per cent of the shop labor receives less than 60 cents an hour, although the average is 40 cents.

The unions asked that the minimum be fixed at 60 cents, ignoring the economic truth that it is not the hourly wage but the annual wage that determines purchasing power.

It is reported that the Labor Department will decide on 60 cents an hour, as the unions requested. This, if decreed, will mean that the industry will have to raise wages, not only those now below that minimum, but those in the higher brackets as well, to maintain the status in different grades. If the industry raises wages, it must raise its prices accordingly. The United States Government (taxpayers) will probably pay more as long as the money holds out; but how about the air lines now struggling for existence? *(Please turn to page 420)*

## Aircraft Manufacturers

| | Earnings per share | | | | Price Range | | |
|---|---|---|---|---|---|---|---|
| Company | 1936 | 1937 | 1st quarter 1938 | Dividends in 1938 | High | Low | Recent |
| Boeing | $.32 | $.45 | $.07d | .... | 35½ | 20⅛ | 29 |
| Consolidated Aircraft | .29 | .68 | NF | .... | 19½ | 11 | 16 |
| Curtiss-Wright common | .17d | .04d | .02 | .... | 5¼ | 3¼ | 5 |
| Curtiss-Wright A | .88 | 1.71 | .63 | .... | 21⅛ | 12⅝ | 21 |
| Douglas | 1.74 | 1.90 | 1.91a | .... | 50¼ | 31 | 50 |
| G. L. Martin | .87 | 1.32 | .72 | .... | 25⅜ | 14⅛ | 24 |
| Lockheed | .15 | .21 | NF | .... | 13⅞ | 5⅝ | 13 |
| North American | .001 | .14 | .06 | .... | 10½ | 5⅞ | 10 |
| United Aircraft | .76 | 1.52 | .42 | $.50 | 29⅛ | 19½ | 28 |

a—For 6 months ended May 31. d—Deficit. NF—Not available.

# Important Railroad Maturities

## Leading Issues Which Fall Due During the Next Twelve Months

BY STANLEY DEVLIN

RAILROAD finances have reached a very critical stage. Debt is heavy, traffic has declined sharply and revenues are insufficient to support the heavy burden of fixed charges and operating costs. At this time it appears that not more than one-third of the nation's major railroad systems will be able to fully cover fixed charges this year. All of which is not exactly new to the investor owning railroad bonds and common stocks, the majority of which have suffered a drastic depreciation in value.

Railroad securities have participated prominently in the upturn in prices over the past several weeks and with the growing belief that higher security prices are foreshadowing a material improvement in general business this fall, hopes have risen that an upturn in rail traffic will rescue the carriers from their present financial straits. This attitude has been further encouraged by the recent increase in Eastern passenger fares. It is possible also that imminent wage negotiations may reach some compromise favorable to the railroads. It is a moot question, however, whether even the combined effect of these factors will enable at least several roads to stave off eventual insolvency.

At the end of last March all class I roads showed a deficit, after fixed charges and taxes, of $106,250,000. Since March 31, 1937, the current assets of these roads have declined $377,000,000 to $1,063,000,000 and current liabilities have increased $79,000,000 to $1,993,000,000. In other words, current debt is nearly a billion dollars greater than quick assets. This phase of the railroad situation is further intensified by the fact that some of the roads which have borrowed heavily have practically exhausted their pledgable collateral.

For roads with their finances thus seriously weakened, nearby bond maturities are likely to prove an obstacle which they may be unable to surmount. Bankruptcy and reorganization, a familiar sequence in railroad history, may be the ultimate answer—but not the solution to the fundamental railroad problem. Experience in recent years has shown railroad reorganization to be a long and difficult process. Meanwhile banks, insurance companies and individuals owning large amounts of railroad securities, stand to suffer heavy capital losses and depleted income.

Speculating on the probable outcome of the railroad situation is little better than a gamble. In the circumstances the recent recovery in railroad security prices affords an opportunity to relinquish investment holdings in the more precariously situated carriers.

### Important Near Term Rail Maturities

| ROAD AND ISSUE | Amount of Maturity | Total Funded Debt | Fixed Charges Times Earned 1937 | COMMENT |
|---|---|---|---|---|
| Missouri Pacific<br>Pacific R.R. 1st 4's due 8/1/38 | $6,996,000 | $428,000,000 | 0.6 | Road in receivership and will probably default this maturity. Traffic improvement in sight but reorganization likely to be drastic. |
| Southern Railway<br>Mobile & Ohio Coll. 4's due 9/1/38<br>East Tenn. Reorg. 5's due 9/1/38 | $7,295,000<br>4,500,000 | $279,000,000 | 1.05 | In addition to current maturities, road owes RFC $12,500,000. RFC has promised to assist in handling maturities. |
| N. Y., Chic. & St. Louis<br>6% notes due 10/1/38 | $14,807,750 | $162,000,000 | 1.4 | Maturity presents a serious problem. Road will probably enlist aid of holders seeking agreement to another extension. |
| New York Central<br>Clev. C. C. & St. L. Cairo div. 4's due 1/1/39<br>Sec. 2's "C" due 4/1/39 | $5,000,000<br>3,000,000 | $640,000,000 | 1.12 | Road has ample unpledged collateral and nearby maturities should be met without strain. |
| Wabash<br>Sec. 5's due 2/1/39<br>1st 5's due 5/1/39 | $13,993,000<br>33,891,000 | $134,000,000 | 0.6 | Reorganization plan, providing for drastic reduction in funded debt and bond interest, has been held up. Near term earnings outlook not promising. |
| Lehigh Valley<br>Penn. & N. Y. Canal cons. 4's, 4½ & 5's due 4/1/39 | $8,500,000 | $96,000,000 | 0.9 | Finances meagre, and it is still uncertain whether road can escape more serious financial difficulties. Traffic outlook unfavorable. |
| Chesapeake & Ohio<br>1st Cons. 5's 5/1/39 | $30,000,000 | $235,000,000 | 4.7 | Finances comfortable and earnings continue better than average. Maturity likely to be met successfully. |
| Chic., Mil., St. P. & Pacific<br>Mil. & No. 1st 4½'s due 6/1/39<br>Mil. & No. Cons. 4½'s due 6/1/39 | $2,117,000<br>5,072,000 | $481,000,000 | 0.7 | Road has been showing progress under receivership but reorganization is still some time off. |
| Baltimore & Ohio<br>4½% Sec. Notes due 8/1/39 | $50,000,000 | $668,000,000 | 0.98 | Owes nearly $70,000,000 to RFC. Finances seriously restricted and next several months may witness a series of uncertain financial crises. |

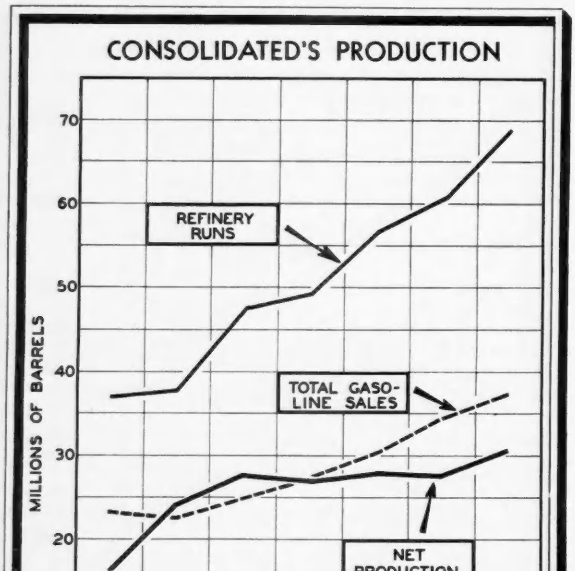
# Cheap on Earnings and Prospects

## Consolidated Oil Improves Its Position

BY C. HAMILTON OWEN

THE domestic petroleum industry is a big industry, dominated by big companies—not two or three outstanding units and a score of marginal enterprises, but a dozen or more top ranking companies and literally hundreds of smaller units. Naturally, this is a condition which makes for wide open competition and in the past it has been responsible for some of the most chaotic and costly industrial cut-throating. The entire industry suffered, the big companies with the small. During the past several years, however, there has been a reign of comparative serenity in the oil industry. Competitive tactics, while still aggressive, have not been destructive and, significantly, all of the major companies have made money.

Last year profits in the petroleum industry were the best since 1929. Thus far this year profits have declined, perhaps 20 per cent, but the decline has been much less than that shown in many other industries. Consumption of petroleum products has been holding slightly above last year and such decline as may occur is likely to be slight. Despite this relatively favorable background, the shares of leading oil companies are selling at what appears to be a very conservative ratio to earnings—even if generous allowance is made for a drop in 1938 profits.

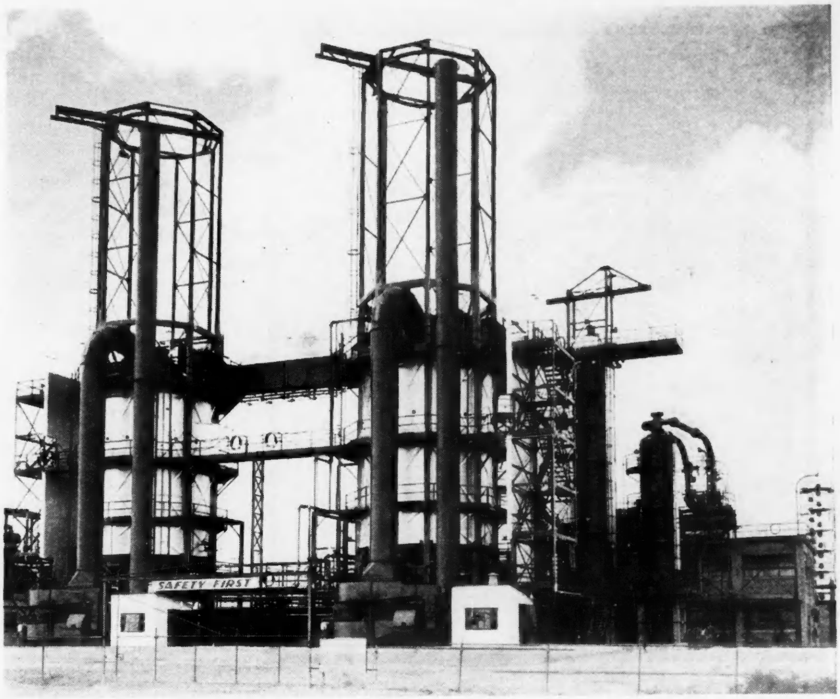



The shares of Consolidated Oil, the subject of this discussion, are selling around 10. They are paying dividends of 20 cents quarterly, indicating a probable income yield of 8 per cent. First quarter earnings were officially estimated to have covered the 20-cent dividend, and if earnings for the full year are estimated arbitrarily at $1 a share, this would allow for a drop of one-third from the 1937 level. Granting that any estimate of 1938 earnings at this time is little better than a guess, nevertheless it would appear sufficiently valid to afford at least a speculative yardstick.

The scope of Consolidated Oil's operations embraces practically every major phase of the oil industry. This is not unusual in an industry where complete integration has been the rule rather than the exception, at least among the leading companies. Integration in the oil industry means that the company for all practical purposes identifies itself with every step involved, from exploration activities to the final delivery of gasoline to your automobile or fuel oil to your furnace. Integration means the ownership of vast oil acreage, maintenance of extensive drilling operations, ownership of pipe lines, tank cars and tank ships, ownership of extensive storage and refining facilities strategically located and maintenance of extensive sales and bulk distribution facilities. Active research is by no means a minor phase in the activities of an enterprising oil company. Not all of the big oil companies produce all of the crude necessary to fulfill their refinery requirements; some of them find it advantageous at times to purchase gasoline from other refiners; and in recent years most of them have been relinquishing the direct operation of service stations and retail outlets. But integration in the oil industry has come to be tantamount to self-sufficiency.

Thus, while the fact that Consolidated Oil is an

integrated unit is no particular mark of distinction, it does mean that the company has done what every other major oil unit has done to assure an ample supply of crude oil and adequate outlets for its finished products. Integration has become a competitive necessity and integration should be an effective shock absorber against possible disruptions in either the producing or distributing divisions of the oil industry.




**One of Sinclair's huge cracking stills used in manufacturing gasoline and by-products.**

Today the relative position of Consolidated Oil in the oil industry is probably stronger than it has been at any time in the company's history. The major step taken which resulted in elevating the company to its present position was the consolidation with Prairie Oil & Gas and Prairie Pipe Line Co. in 1932. Prior to that time the company had been known as the Sinclair Consolidated Oil Co. This merger was logically conceived, each of the participating companies, important in their own right, augmented appreciably the scope of the consolidated unit.

Facing the economic realities of 1932, the consolidated value of the assets of the three companies were written down $256,000,000, upon consummation of the merger. This revaluation permitted a considerable savings in depreciation and depletion charges. For example, for the eleven months ended December 31, 1932, a total of about $17,500,000 was charged off for depreciation and depletion, which compared with the aggregate write-offs of $42,000,000 for the three companies in the last year prior to the merger. As a result of the revaluation of assets, therefore, a savings of more than $2,000,000 monthly was effected.

Since the merger, write-offs for depreciation and depletion have totaled $111,814,000, the annual rate ranging from about $17,500,000 to $21,209,000 last year. During the same period capital expenditures have amounted to nearly $120,000,000, distributed through all of the major divisions of the company's business, with the largest portion alloted to the development of producing properties.

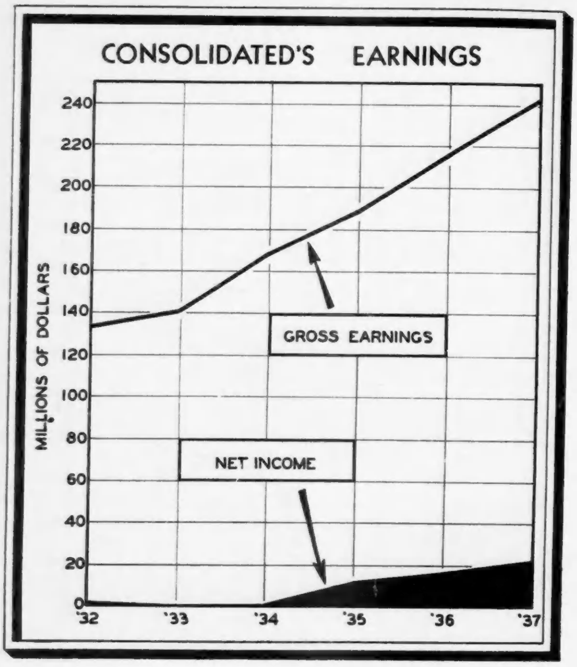
Following the merger, the total funded debt of Consolidated Oil amounted to $61,886,700, consisting of $41,664,700 of bonds carrying a 7 per cent coupon and $20,202,000 with a 6½ per cent coupon. Also there were outstanding 129,694 shares of 8 per cent preferred stock. The combined annual charges on this funded debt and preferred stock issue amounted to $5,267,211. Obviously, a substantial reduction in capital charges was desirable, and the management availed itself of the opportunity to do so as soon as conditions permitted.

Early in 1936, all of the 8 per cent preferred stock was either redeemed at 110 or exchanged for a new 5 per cent preferred issue. About six months later, the company sold $50,000,000 3½ per cent debentures, using the proceeds to liquidate $40,000,000 in bank loans incurred previously in connection with the redemption of the 6½ per cent and 7 per cent bonds issues. This refinancing resulted in reducing fixed charges and preferred dividends last year to only sightly more than $2,000,000, a net savings of more than $3,000,000 since 1932.

Reduced to terms of the common stock now outstanding, the combined savings in annual fixed charges and depreciation and depletion write-offs effected since 1932 is equal to $2 a share. During this same period, property expenditures exceeded depreciation and depletion by approximately $9,000,000.

Since 1932, on the other hand, net current assets have declined $32,000,000, the drop being accounted for principally by a decline of $14,000,000 in cash, $12,000,000 in marketable securities and $6,000,000 in inventories. Current liabilities have increased, chiefly as a result of a gain of some $8,000,000 in notes payable, resulting in a net decline of about $40,000,000 in working capital, during the six-year period. During this same period, however, there was a net reduction in funded debt and preferred stock outstanding amounting to some $21,500,000, for which a portion of working capital was undoubtedly utilized. In addition $4,400,000 was paid for the acquisition of Richfield Oil Co. of N. Y., an obligation of $10,100,000 of the Producers & Refiners Corporation, was discharged and purchase money and equipment trust obligations were reduced by $1,700,000 —altogether accounting for all but about $2,300,000 of the decline in working capital.

Changes fully as important as those made in the company's finances and capital structure have been wrought in its physical make-up.




With the expropriation of Consolidated Oil's Mexican properties, all producing facilities are now located within the borders of the United States. At the end of last year the number of producing wells totaled approximately 9,200, located in Texas, Oklahoma, Kansas, Wyoming, Louisiana and New Mexico. Crude oil reserves are estimated at more than 500,000,000 barrels gross and compare with the total reserves of all crude oil in the United States estimated at about 15,500,000,000 barrels at the beginning of this year.

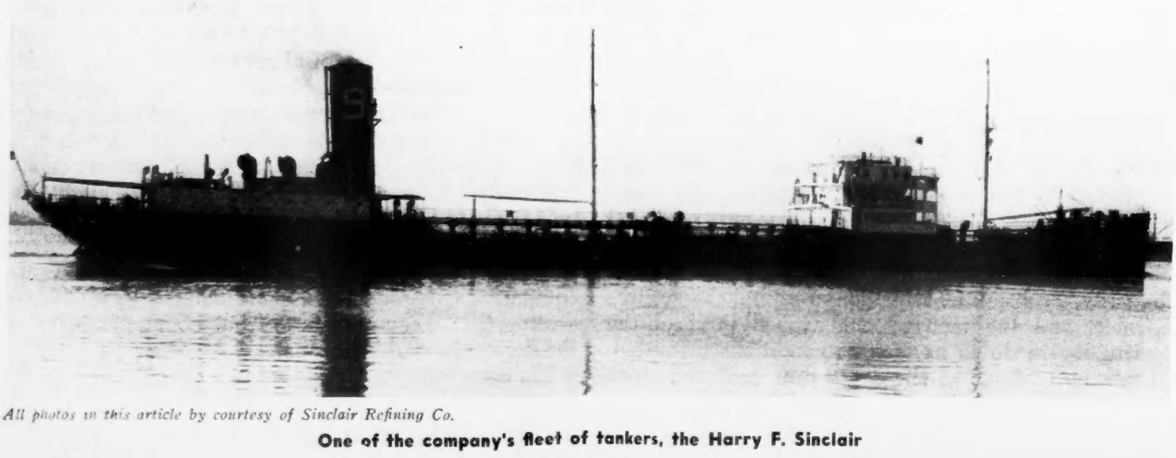
Although the company's crude oil reserves are sizable, they are smaller in relation to refinery requirements than those of a number of other leading oil companies. Last year the net domestic crude oil production of Consolidated Oil totaled 28,893,000 barrels. On this basis reserves are equivalent to 17 years' supply, and as a practical matter appear quite adequate. It should be pointed out, however, that adherence to proration schedules made it necessary for the company to purchase more than half of its refinery requirements from outside sources. Refinery runs last year totaled more than 69,000,000 barrels. On the basis of total requirements last year, crude reserves would have been equivalent to about nine years' supply. This compares with 21 years' supply in the case of Continental Oil, 16 for Gulf, 27 for Humble and 18 for Phillips. On the other hand reserves of Standard Oil of Indiana were estimated to be equal to six years' requirements, Tide Water Associated 7 years, and Union Oil of California 9 years.

In the matter of pipe lines and gathering lines Consolidated Oil leads the entire industry. The company's network of pipe lines embraces some 6,800 miles and with the gathering system is capable of handling 200,000 barrels daily. Last year the company's pipe lines carried a total of more than 92,000,000,000 barrels, or about a third more than total refinery runs. Pipe line transportation is augmented by a fleet of ocean tankers aggregating 100,000 dead weight tons, 6,800 tank cars and numerous water terminals favorably located in relation to important areas of distribution. Tank ship deliveries in both owned and chartered vessels last year totaled nearly 41,000,000 barrels, an increase of approximately 5,000,000 barrels over 1936.

The company operates 10 domestic refineries and one in Mexico, the combined capacity of which is about 206,000 barrels of crude oil daily. Last year a total of 69,187,695 barrels of crude was run through these refineries, which compares with 60,643,084 barrels in 1934 and less than 38,000,000 barrels in 1932.

Refined products, including motor fuel, lubricants, fuel oil and various petroleum specialties are marketed on a national scale through the medium of more than 2,000 bulk distributing plants and some 7,500 retail stations, all of which are owned or controlled. In addition there are about 26,500 independent retail outlets, accounting in all for a total of some 60,000 gasoline pumps.

Consolidated also has foreign distribution, but this is relatively unimportant, accounting for no more than



*All photos in this article by courtesy of Sinclair Refining Co.*

**One of the company's fleet of tankers, the Harry F. Sinclair**

10 per cent of gross. Last year the company disposed of both its Belgian and German subsidiaries. As to the eventual outcome of the government seizure of oil properties in Mexico, it is probable that some attempt at least will be made to compensate owners. The loss of these properties, however, is unlikely to effect seriously the immediate earning power of Consolidated. Last year they made no contribution to the company's profits, and appear to have accounted for less than 2,000,000 barrels of net crude production.


**A typical service station.**

Last year Consolidated Oil reported gross operating income of $241,750,280. This was the largest in the company's history and a gain of $25,000,000 over the 1936 figure and more than $100,000,000 higher than the 1933 level. Last year the company's net operating income was 8.07 per cent of gross, which was also the widest margin of profit ever shown by the company. This is particularly noteworthy in view of the generally higher level of costs last year. Moreover, depreciation and depletion write-offs totaled $21,209,486, the largest figure since the merger and an increase of some $2,500,000 over 1936.

Using the 1937 margin of profit as a measure of the company's operating efficiency, it would appear that the margin of 8.07 per cent was somewhat lower than the average. Gulf Oil showed better than 10 per cent, Phillips nearly 20 per cent, Socony-Vacuum, about 11 per cent, Texas Corporation, nearly 15 per cent, Standard Oil of California 22½ per cent and Standard Oil (N. J.) nearly 16 per cent. Varying accounting practices make it necessary not to accept these comparisons too literally.

It is a reasonable assumption, however, that Consolidated's costs are increased by the large outside purchases of crude oil necessary to meet the company's refinery requirements. As previously noted, production from company-owned wells last year was less than half the total refinery run of crude oil. Some support to this possibility is given by the fact that Atlantic Refinery, which produces less than one-third of its refinery requirements, last year showed a margin of profit of about 6½ per cent. Tide Water Associated, on the other hand, which also purchases more than half of its refinery needs, had a profit margin of 11.65 per cent last year.

Last year earnings of Consolidated Oil were augmented by "other income" in the amount $4,692,730, or more than sufficient to cover all fixed charges and taxes aggregating about $3,400,000. Included in other income last year, however, were several non-recurring items and in the years prior to 1937 the contributions made by this item have ranged from $1,363,603 in 1934 to $2,685,010 in 1936.

Net income last year totaled $20,809,205, an increase of some $4,000,000 over 1936 and nearly double the 1935 level. After payment of preferred dividends amounting to $279,291 last year, earnings available for the outstanding 13,915,167 shares of common stock were equal to $1.48 a share, comparing with $1.18 in 1936 and 74 cents a share in 1935. Dividends paid to common shareholders in 1937 amounted to 90 cents a share.

In the forepart of this discussion, current earnings were tentatively estimated at $1 a share. This estimate would appear to make ample allowance for a lower sales volume as well as the somewhat lower gasoline prices which have prevailed this year, and it is easily possible that final results may be 25 per cent better than this estimate—and they might be even less. At this time, however, the latter contingency appears to be fading into the background, along with the more menacing aspects of the statistical position of the oil industry, as a whole.

For more than a year there has been no change in the price of mid-continent crude oil. This condition has played a major role in enabling all of the leading oil companies to register marked improvement in earnings. In the past, excessive production was responsible for almost complete demoralization of the oil price structure, devastating inventory losses and price wars. With the stability of the entire oil industry resting upon the price of its principal raw material, any condition which threatens to disrupt crude prices must be viewed with alarm. Earlier this year such a condition arose.

At the beginning of last October, which marks the end of the heavy consuming season for the oil industry, stocks of finished and unfinished gasoline amounted to 71,658,000 barrels, or the equivalent of about 41½ days' supply. At the same time a year previous, gasoline stocks amounted to 40 days' supply. Due principally to sustained crude production and greater-than-normal refinery activity to meet the greatly increased demand for fuel oil, stocks of gasoline (*Please turn to page* 421)

# Group Movements a Clue to Profits

## Certain Industries Swing Widely While Others Hold to More Static Trend

BY FREDERICK K. DODGE

With the stock market unlikely to repeat itself exactly in accord with history, there is a temptation to treat each phase of the market as new and unexplored ground, disregarding past experience. This attitude is good in so far as it springs from the willingness to reason independently and to hook cause and effect together without leaning on what has gone before. It is bad, though, when it results mainly from the lack of proper data with which to compare the present with the past. In other words, experience may be argued against, but never ignored.

The chart on the next page tells a story worth investigation. The action of four out of the forty-three groups in The Magazine of Wall Street 330-stock index is shown over the period of the 1932-37 recovery and subsequent setback. Food brands are included as an example, not the most extreme, of a static group. The other three are proverbially wide swingers, the type which is expected to return the greatest cyclical profits.

From the 1932 lows to the 1937 highs, the rail equipments gained 834 per cent, the steels 1,283 per cent, and the coppers 1,347 per cent. The foods scored a rise of 157 per cent and the index of 330 stocks one of 583 per cent. But before concluding that the groups should be ranked for present attractiveness on the basis of the last recovery record, the background should be studied.

**Groups Compared with 1929**

| | 1929 High | 1932 Low | 1937 High | 1938 Low |
|---|---|---|---|---|
| Copper group | 100 | 3.8 | 55.5 | 15.3 |
| Railroad Equipment group | 100 | 3.1 | 29.2 | 7.2 |
| Steel group | 100 | 7.0 | 96.0 | 31.8 |
| Combined 330 stocks | 100 | 10.4 | 71.0 | 25.4 |

In 1932 the market faced:

1. Coming devaluation of the dollar, with natural inflationary implications.
2. Financial and credit prostration, as well as the loss of corporate earning power.
3. The reversal of a three-year defeatist psychology.

Now another cycle appears to be at hand, starting from a higher level of both business activity and market prices, but dominated and directed by the same urge to put capital to profitable work in business or the market. Devaluation of the dollar is not an immediate probability (although still a possibility), and the thought paid to inflation is now considerably less than the average of the earlier recovery years. The President, as a matter of fact, has recently paid verbal tribute to the idea of a budget balanced through increased taxation. If this is to be the case, and if inflation is out of the picture permanently, which seems hardly possible, then the same relative performance by the copper group cannot be expected.

The easy credit conditions now prevailing cannot but have effect on the great majority of enterprises, but few groups are more obvious beneficiaries than the rail equipments. On the other hand, although there is no lack of money to finance equipment purchases by the railroads (even by the government if it should ever come to government ownership), the idea prevalent five years ago that the roads must sooner or later buy at a rate sufficient to make up for the years of depression has been to a certain degree modified. It is realized that the one important impetus toward equipment purchases is traffic, and until carloadings increase all other considerations are secondary.

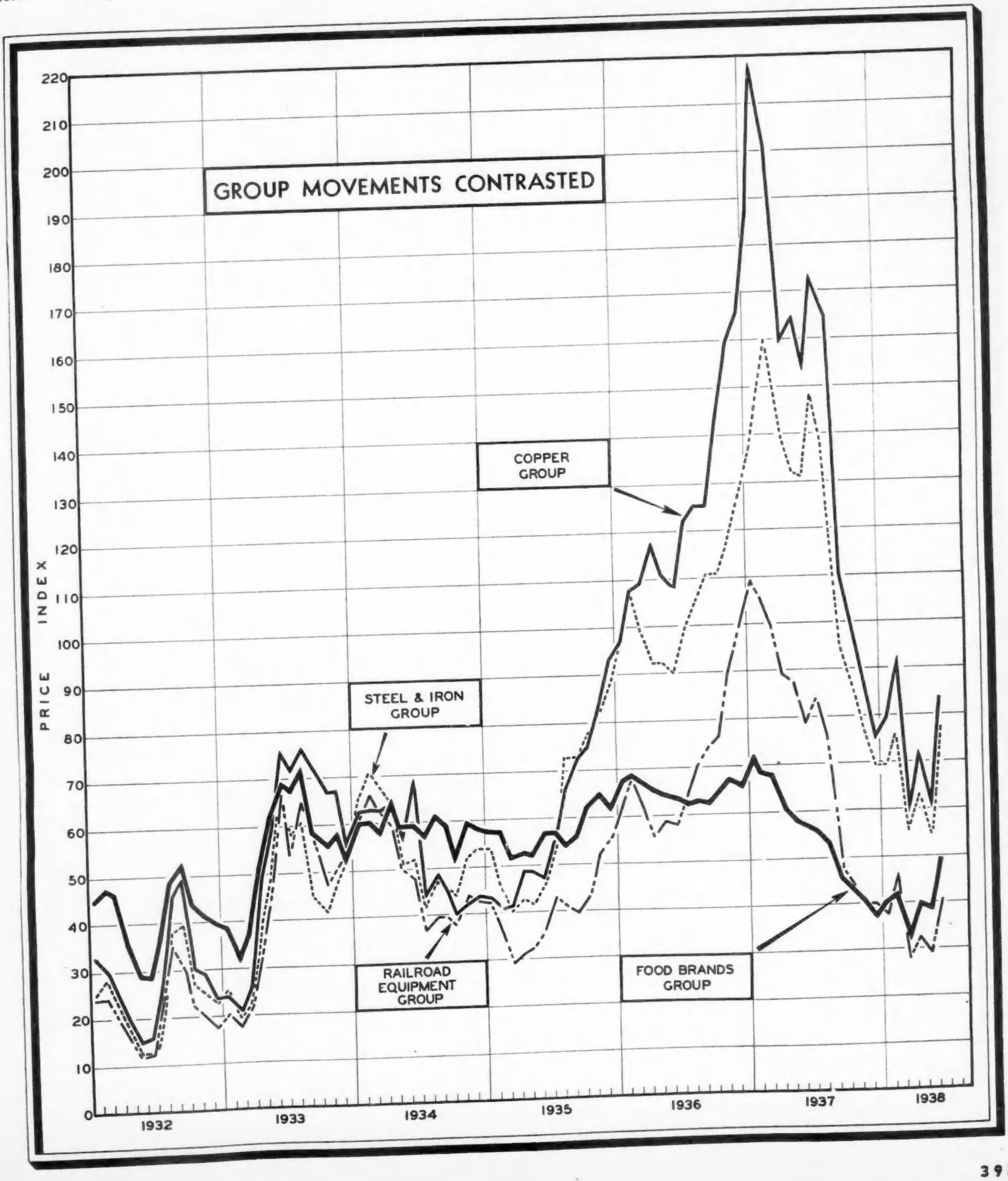
The bear market which made its lows in 1932 had by its very length created a stubborn feeling that it could never end. The first rally was unable to hold its ground, and it will be noted that each of the four groups ended the year at a lower level than at the end of 1931. On the first pull away from the bear market lows, there was little to choose between steels and coppers, but the rail equipments were laggards. On the setback extending into early 1933, however, the rail equipments held at a point 50 per cent above the previous bottom, the steels 58 per cent, and the coppers only 33 per cent. Both steels and equipments outperformed the coppers in the 1933 rise, with gains of 475 per cent each (figured in all cases from the 1932 lows), as compared with a 440 per cent gain for the coppers.

It was not until 1936 that the copper group broke definitely away from its competitors. It will be remembered that European rearmament plans came in for attention at that time and speculation in the metal in

London began to steam. Without these influences it is extremely doubtful whether the coppers could have reached their final peak $14\frac{1}{2}$ times their 1932 lows. The European background will therefore enter more intimately into consideration of the future outlook for this group than for any of the others under discussion.

Although the action of the steels and rail equipments during 1936 appears sluggish on the chart in comparison with that of the coppers, there is an explanation in addition to armament buying and inflation talk. The coppers are always among the widest swingers and came down from a higher peak in 1929 to their 1932 lows where the chart picks them up. If all are adjusted to 100 at the 1929 highs, the action of the groups compares as shown in the accompanying box.

It can be seen that the peak of 217 for the coppers represented hardly more than half of their previous highs, while at their tops the steels had recovered to within 4 per cent of the 1929 mark. The outstanding failure to approach former levels was that of the rail equipments, while only the steels managed to better the performance of the market (*Please turn to page 420*)

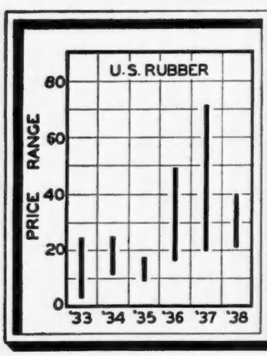


# The Best Stocks Under Today's Conditions

Selected by THE MAGAZINE OF WALL STREET STAFF

When they refer to the "best stocks today," most people are thinking in terms of future profits. It is that objective with which this article is concerned. For the moment, we are not discussing exclusively the sound dividend payers which do fairly well even in the worst times. We are not even thinking of those which are cheap on current earnings. Few issues are. The stocks which we have selected for brief discussion here are issues which hold promise for further substantial gain in value over the next few months in anticipation of better business and recovered earning power. They are stocks which enjoy broad markets, and tend to swing fairly widely in price with the actual or expected swing of the economic pendulum.

In buying them they should not be regarded as necessarily long term investments. They may turn out to be so, but that depends on the business, political and even the international outlook which must be reappraised by prudent stockholders early this coming autumn.




**United States Rubber Co.**

The semi-annual report of the United States Rubber Co. is not as yet available. It is believed, however, that the profit, if any, for this period will be of only nominal proportions. For the stock of a company selling for around $36 a share this on the face of it appears somewhat discouraging. On the other hand, it is to be remembered that the United States Rubber Co. is among those in a position to stage remarkable recovery in earnings under favorable conditions. At the present time the company has a large inventory—both in the form of actual stocks and in the production available from its own plantations—and should the price of crude rubber rise further, as is likely, it will benefit not only from the standpoint of a manufacturer operating on a relatively low-priced inventory of raw material but also from the standpoint of a producer of that raw material.

In considering the possibility of a rapid increase in earning power, in the event of business improvement this fall and genuine recovery next year, emphasis must be laid on the internal readjustments which the management of the company has achieved over the past ten years. Over this period total indebtedness has been cut from $142,000,000 to $51,000,000, while interest charges have shown an even more drastic reduction. Early this month there was sold to three insurance companies $45,000,000 of mortgage 4¼s, the proceeds from which had been ear-marked for the retirement of $50,000,000 First and Refunding 5s. Not only will this latest financing effect further savings in interest requirements, but will avoid restrictions which the indenture of the retired bonds contained on the payment of preferred dividends.

In addition to the mortgage 4¼s mentioned above, the capital liabilities of the United States Rubber Co. consist of 651,091 shares of $8, non-callable, non-cumulative preferred stock and 1,536,101 shares of common stock. Last year's earnings were equivalent to $2.21 a share on the common after allowing for dividends on the preferred. While nothing like this can reasonably be expected for the present year, it would occasion no surprise were the figure to be exceeded in 1939.

**Allis-Chalmers Manufacturing Co.**

The Allis-Chalmers Manufacturing Co. entered the present year with unfilled orders of more than $21,000,000 compared with unfilled orders of less than $14,000,000 at the beginning of 1937. This large total of unfilled orders, coupled with the relatively well-sustained demand for the company's baby tractor, is expected to result in billings during the first half of 1938 making a favorable comparison with those for the corresponding previous period.

On the other hand, the profit to be reported for the first six months of the present year is likely to be materially under the $2.35 a share of common stock reported for the first six months of 1937. It might, however, be as much as $1.50 a share, or enough to cover the year's dividend on the common at the rate of 37½ cents quarterly. Higher costs are the reason for expecting the lower earnings.

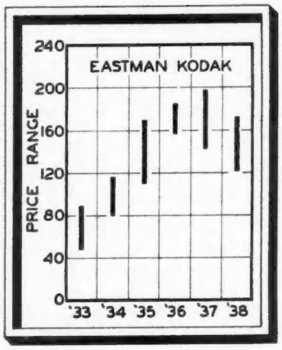
So far as the third quarter—and possibly the fourth—are concerned, it would be idle to deny the likelihood of profits falling off still further. This is because there has been a sharp fall in bookings so far this year. It is to be remembered that a good part of the business of the

Allis-Chalmers Manufacturing Co. is in the heaviest type of machinery which takes many months to build. Thus, so far as such activities affect the whole, there is a tendency for billings and therefore profits to lag behind similar changes in general business. Should the recovery movement gather momentum this fall, Allis-Chalmers may appear for a time to run behind, but if it is realized that this is merely the nature of the company's business stockholders will feel no disquiet.

Today, the 1,773,341 shares of Allis-Chalmers are selling somewhat under $50 each. This price, of course, represents a liberal appraisal of the near-term prospects, but looking further ahead it is to be doubted that such a figure is over high. For those who fear a near-term reaction—which is always a possibility in a market which has gone ahead as fast as this one—the convertible debenture 4s of this same company may well be interesting. Convertible at 75 the privilege is not now of tangible value, but it might well become so in the not too distant future.

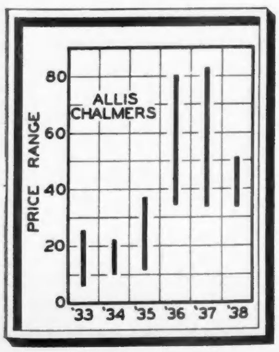
### Eastman Kodak Co.

Equal to $9.76 a share of common stock, compared with $8.23 a share in 1936, earnings of the Eastman Kodak Co. last year were the highest in history. World famous as a maker of cameras and photographic supplies, it is to be realized that these activities represent by no means the whole of Eastman Kodak's business. Developed because of the need for a non-inflammable film, the company's cellulose acetate division is now producing rayon and plastics. Output of various chemicals also has been increasing and the line now includes many hundred items.

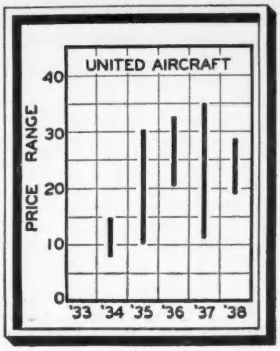



Looking at the company's stock which today is selling for about $170 a share, compared with a high last year of $198, one would think that the depression had had little if any effect upon the business of Eastman Kodak. This, however, is not strictly true. The dynamically increasing interest in amateur photography has been of material benefit to the company, but it has been unable to entirely offset the lessened demand for professional motion picture film and certain cellulose acetate products. In any general recovery, of course, these lagging lines would improve.

High-priced though the stock is, Eastman Kodak has many attractions for the investor. The company is still growing. Moreover, the growth is taking place in an industry whose future is self-evident to everyone—chemicals. It is exceedingly strong financially and the only capital liability aside from the common stock is a small issue of preferred. Finally, one can count on some return on one's capital regardless of the state of business as a whole.




### United Aircraft Corp.




There is little to add to the detailed discussion of the United Aircraft Corp. which appeared in the April 9 issue of the MAGAZINE OF WALL STREET. Making Pratt & Whitney "Wasp" and "Hornet" motors, Chance-Vaught military aircraft, Sikorsky flying boats and Hamilton Standard Propellers, the company covers a large field and benefits from activity in airplane construction almost without regard to what company does the actual building.

Earnings in the first three months of the present year totaled $1,072,298, after depreciation, taxes and other deductions. This was equivalent to 42 cents a share on 2,531,482 shares of common stock and compared with 27 cents a share of common for the corresponding previous quarter. The company entered the present year with a large volume of unfilled orders and there have been large additions since. Gross sales and service revenues last year were roughly $29,000,000; it will be surprising if they fail to reach a total of $40,000,000 for 1938. Such a showing should result in a profit considerably in excess of the $1.52 a share of common reported for 1937. On this basis the stock at $28 a share is among a minority of issues which appear statistically cheap at the present time. So many are selling on the hope of fall improvement and further recovery next year—by no means an unreasonable basis to be sure—but in the case of the United Aircraft Corp. the business volume and earning power are actually in sight.

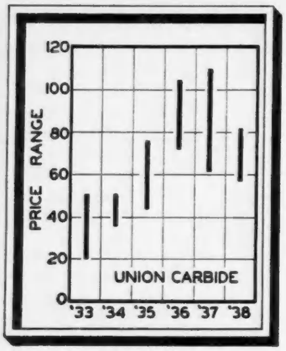
### Union Carbide & Carbon Corp.

In declaring a 40-cent dividend in May instead of the 80 cents which had been declared in the previous six quarters, the Union Carbide & Carbon Corp. gave specific notice to its stockholders that its business was by no means immune to depression. It is believed that the coming report for the first half of the present year may well show that sales for this period were as much as 40 per cent under those of the first six months of 1937. If this should prove to be the case, net income will show an even greater decline. For the first quarter, earnings were equivalent to 47 cents a share of common compared with $1.10 a share for the March quarter, 1937.

Yet, if depression has adverse effects upon the business of the Union Carbide & Carbon Corp., a general recovery would be equally beneficial. The company's line of oxygen, acetylene, carbon products, alloys, plastics and wide range of chemicals is so broadly fundamental as to be helped by recovery no matter where it should first make its appearance.

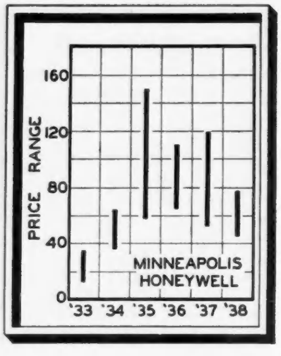
More important yet, this is a company which can be counted upon to do better than business as a whole, for

its products enjoy a dynamically expanding demand. At the last annual meeting it was officially stated that products which provided 100 per cent of net income in 1919 provided only 42 per cent of net in 1937, and that for last year 58 per cent of net income was derived from products which had been developed by research over this period. Here is a concise explanation why the stock of the Union Carbide & Carbon Corp. has long been a "premium" issue and until it shows some signs of lagging in the development of new products and processes it is certain to remain so. At $79 a share the stock is attractive for long-term holding and as a medium through which to obtain maximum participation in recovery.




### Minneapolis-Honeywell Regulator Co.

Companies whose securities are the most promising at the present time are those operating in an industry where the outlook is hopeful and whose products are still enjoying a cyclical growth in demand. Such a one is the Minneapolis-Honeywell Regulator Co., largest manufacturer of heat-regulating and temperature-control devices. Not only will the company benefit from the improvement in building which appears to be definitely under way, but there is a clear-cut trend towards remodeling old structures with modern heating systems in which control devices of various kinds are a conspicuous part of the whole. Nor must one forget that this same company can be counted upon to play its part in the obviously bright future of air-conditioning.




Under favorable conditions the Minneapolis-Honeywell Regulator Co. has demonstrated large earning power. The net profit for last year amounted to $2,929,249 after depreciation, taxes and other charges. This, after dividends on the 4 per cent preferred, was equivalent to $4.52 a share on the common and compared with $4.77 a share of common in the previous year. A small net loss was shown for the first quarter of the present year, but this is of no significance if there is to be a material improvement in building activity.

The company's capitalization consists of 621,900 shares of common stock of no par value, senior to which there are 30,700 shares of 4 per cent convertible preferred. There is no funded debt and working capital position is strong. Above $80 a share the common stock of the Minneapolis-Honeywell Regulator Co. is discounting to some extent the future, but from what one can see of the prospects for the building industry and business in general it is to be doubted that the discounting process has been carried to extremes.

### Climax Molybdenum

Few companies connected in any way with metals managed to report a larger profit in the first three months of 1938 than was reported for the corresponding previous period. Climax Molybdenum, whose earnings in the March quarter of the present year were equivalent to 79 cents a share of common against 66 cents a share in the March quarter, 1937, was conspicuous among the minority.

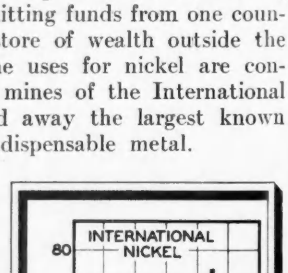
The company is the fortunate possessor of some 80 per cent of the world's known supply of molybdenum and is estimated to cater to 75 per cent of the world demand. This valuable alloying material has been developed rapidly in recent years and there is every reason to believe that its peak use is still some time away. Molybdenum has been found a satisfactory substitute for high-priced tungsten in many applications and a fillup has been given the demand by the fear that the Chinese-Japanese hostilities would interfere with the supply of the latter.

With the world's rearmament programs still far from complete and with automobile and other machinery manufacturing in this country headed for improvement within a short time, Climax Molybdenum's future appears reasonably assured. The company's stock at $43 a share, only 10 points above the year's low, has recovered, as yet, considerably less than many other issues.

### International Nickel Co. of Canada, Ltd.

The stock of the International Nickel Co. of Canada, Ltd., is an attractive holding for many reasons. In the first place it represents an enormous store—in the form of known reserves—of valuable metals. Nickel and copper are the two most important, but the company's mines are also rich in gold, silver and the platinum metals. Secondly, the stock has a market second to none in broadness: it is traded freely in this country, in Canada and in several European countries. Hence, its use as a medium for remitting funds from one country to another and as a store of wealth outside the United States. Thirdly, the uses for nickel are constantly increasing and the mines of the International Nickel Co. contain far and away the largest known source of supply of this indispensable metal.

Last year's net profit in excess of $50,000,000 was the largest in the company's history. It was equivalent to $3.31 a share on the outstanding common stock and compared with $2.39 a share for 1936. In the face of a slackening demand for nickel and lower prices for copper and the other metals produced by the company the showing for the first quarter of

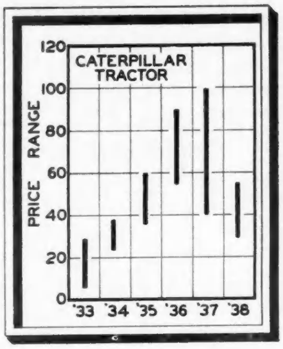


the present year was a creditable one, for the profit fell only from the equivalent of 77 cents a share in the March quarter, 1937, to 66 cents a share for the March quarter, 1938. So far the company has continued to pay a quarterly dividend of 50 cents a share on the common stock. With the stock selling for slightly more than $50 a share, such quarterly payments afford a return of almost 4 per cent.

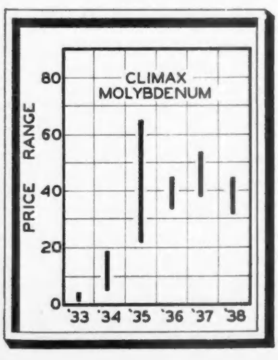
With almost $50,000,000 in cash and no funded debt, the International Nickel Co. of Canada, Ltd., is in an excellent position to expand further should demand warrant. Or, in the unlikely event that the depression in this country should become worse and spread to the rest of the world, its position is such that there need be no fear as to the ultimate outcome.

## Caterpillar Tractor Co.

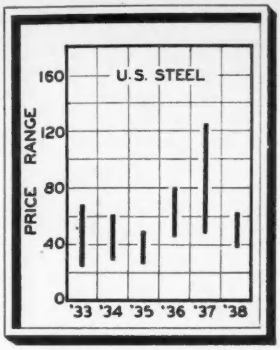
The Caterpillar Tractor Co. was recently in the news when it announced price reductions ranging from $150 to $650 on its tractor line and from $175 to $750 on its line of Diesel engines. The reductions were stated to be an effort to stimulate the company's business and so that it might continue to employ its 8,000 workers. It is too early as yet to say whether this move will have the desired effect without the additional help of generally improving business. With the materialization of the latter, however, the company is certain to do better, for it is exceedingly well entrenched in its field. In any event, the Government's public works, pump-priming program is certain to result in some business for the Caterpillar Tractor Co. and thereby prevent too disastrous a slump.




For last year the company reported a net profit of $10,168,689 after depreciation, taxes and other deductions. This, after dividend requirements on the preferred, was equivalent to $5.24 a share on 1,882,240 shares of common and compared with earnings equal to $5.07 a share of common for the previous year. Few companies report to their stockholders as frequently as the Caterpillar Tractor Co.; it reports monthly, for the period since the close of the previous year and for the twelve months to the end of the latest month. For the first five months of the current year net income was equal to 71 cents a share of common, against $2.64 a share in the corresponding previous period.




While this is an adverse comparison, it is probable that the company's expenses in the fore part of this year were not as well under control as they are now. Economies and increased over-all efficiency always tend to lag behind the business trend. This means, however, that when sales volume again turns upward the economies effected bring sharp betterment in profits. This is expected to be the case with the Caterpillar Tractor Co. despite the temporary lowering of profit margins through the recently announced price cuts.




## United States Steel Corp.

Great interest was aroused by two moves taken by the United States Steel Corp. late last month. The first was a price reduction, for some products of a drastic nature. This, however, was little more than recognition of the undercover weakness in steel quotations which had prevailed for some time. The second, and more sensational, move involved the virtual elimination of the basing point price differential between Pittsburgh, Chicago and Birmingham. Naturally there has been considerable initial confusion as a result of these drastic changes, but the hope has been expressed that the lowering of prices will so stimulate sales volume that there no longer need be talk of wage cuts for steel labor. As for the elimination of the price differential between steel producing centers this has been interpreted as being beneficial to United States Steel and other large organizations with plants in many localities and, by the same token, adverse to the smaller independents whose operations are concentrated.

For those steel products where the cut in price coincides with the elimination of a basing point differential, the reduction in the net return to the mill has been drastic. This means, of course, that steel making for a time will be even more unprofitable than it is at the moment. Nevertheless, the move appears to have been very well timed. It comes when inventories generally are low and therefore results in a minimum hardship on consumers. It also comes just as the Government's inquiry on "monopoly" gets under way.

For last year United States Steel's earnings after preferred dividend requirements were equivalent to $8.01 a share of common stock, against the equivalent of $2.91 a share of common in 1936. For the first quarter of the present year the corporation ran in the "red," although the net loss of $1,300,000 before preferred dividends was better than had been expected.

Such a decline in earning power naturally is somewhat disquieting, but it is to be realized that the recovery can be just as fast. Should there be a material retracing of the road towards prosperity, starting this fall and continuing into next year, the earnings of the United States Steel Corp. could easily justify the stock's present price of $60 a share. Moreover, if indeed the company has improved its competitive position by the elimination of the basing point differentials, earning power will improve faster than in the period subsequent to 1933.

# For Profit and Income

### International Telephone Bonds

With the announcement that the company has arranged financing in Europe which will provide an additional $15,000,000, the International Telephone bonds due at the end of the year have come up to within a point or two of par and the two longer term issues are continuing to move up. Cash already set aside to meet the approaching maturity amounts to $11,000,000, leaving only $11,000,000 to be obtained from the banks or through refunding. With this problem practically out of the way, the 4½s of 1952 selling at 71 have all the earmarks of a bargain. The yield to maturity is about 8% and interest coverage is growing, with charges earned 1.84 times in the first quarter of 1938 as compared with 1.70 times a year earlier. It seems reasonable to anticipate further improvement in the company's business, and it would not be out of line with the trend for the 4½s of 1952 to sell on a 5½% yield basis. Such a yield would mean a price of 90 for the bonds, close to twenty points above their present level and a move worth the exercise of some patience. Meanwhile, the current return of over 6% on the purchase price may be considered fairly dependable.

### World's Fair Spending

While visitors to the World's Fair next year will spend a good part of their time out at the Fair grounds in Flushing, they will spend their money in New York City. Interest is growing, therefore, in such enterprises as Best & Co., R. H. Macy, Childs, Shattuck, and the numerous bond issues of hotels and realty companies. A determined effort will be made to offer the visitors good reasons for doing their shopping while here and, with the leverage created by fixed charges in the case of the larger stores, the increased business should mean substantial profits. Metropolitan retail trade has suffered along with business in general, but the Government's contribution to greater consumer spending along with the World's Fair as a magnet for this locality justify hopes of a good year ahead.

### United Corp.'s Changing Status

One of the largest writedowns of security valuations on record will soon be undertaken, if present plans of United Corp.'s directors are pursued. The portfolio of holdings in public utility enterprises had a "total cost or declared value" of $581,285,157 at the end of 1937 and a market value of $144,528,214. By writing off seventy-five per cent of the book value of assets and eventually reducing holdings to less than ten per cent in any individual company, it will be possible to resume dividends on the preferred stock and to escape classification as a holding company under the Public Utility Act. There is no indication that selling to bring the blocks of stock below the ten per cent limit will take place in the near future, unless market conditions improve radically. The more immediate problem is one of bookkeeping, with resumption of preferred dividends a goal well within view. Dividends received last year by United Corp. on its stockholdings amounted to over $11,000,000, while requirements on the preferred issue are less than $7,500,000 annually. Even though net income in the first half of 1938 fell below that of a year earlier, the steps now under way should permit current earnings to flow through to stockholders.

### Tax Years Still A Dividend Factor

When the tax on undistributed profits was enacted it applied to all companies whose fiscal years ended on December 31, 1936, and after. The rush to declare extra dividends in the Fall of 1936 therefore did not include such companies as Loew's and Sherwin-Williams with years ending August 31st, Food Machinery, September 30th, Devoe & Raynolds and Douglas Aircraft, November 30th. Now the position is reversed, and the corporations which escaped the law in its first year are still subject to its penalties for nonpayment of dividends. Tax-years ending on and after December 31st, 1938, will come under the modified version of the penalty tax, which offers a material reduction for payment of all earnings to stockholders. Several dividend meetings will be watched with a great deal of interest in coming months as directors decide the problem of whether to pay out needed cash or accept the penalty still effective.

## Many Rail Bonds Lose "Legal" Status

More than three billion dollars in face amount of railroad bonds have recently been removed from the legal list of investments for savings banks in New York State. The change comes as a result of the law which prohibits purchase after the mid-year of the obligations of roads which have not covered fixed charges in full in five out of the last six years. Bonds already owned need not be sold, but in the future no purchases among this large group may be made unless certain steps are followed to have them restored to the legal list.

The action of the banking authorities has had no noticeable effect on either the activity or the prices of the bond issues in question. Most of the prominent roads in the country—Atchison, B. & O., Central, Southern Pacific, Southern Railway, and so on—are among the disqualified; and bonds of these carriers have been in the lead during the recent advance. Over the longer term, it is possible that the market will miss the demand from those restricted to legal investments, but this is of minor importance compared to the main questions confronting the roads.

## Developments in Companies Recently Discussed

**Greyhound.** As a result of the I. C. C.'s granting the Eastern railroads an increase in passenger fares of ½-cent a mile, this company's operating subsidiaries are planning to raise bus rates promptly. With a better control over expenses than the railroads, Greyhound had been doing reasonably well under the lower rates and the greater part of any increase is expected to be carried down to net.

**General Baking.** Reported for the 13 weeks to June 25, 1938, a net profit of $538,844 after depreciation, taxes and other charges. This, after dividend requirements on the $8 preferred, was equivalent to 23 cents a share on the common stock and compared with 14 cents a share for the corresponding previous period.

**Lehman Corp.** Reported as of June 30, last, a net asset value of $30.72 a share on stock outstanding with the public. A year previously the net asset value was $40.18 a share of common.

**F. W. Woolworth.** While sales for June, this year, were 4.5 per cent under those of June, 1937, the total for the first six months was only .6 per cent below the total of the corresponding previous period. This company has been doing better than most other merchandise chains, probably because the carrying of higher priced items has widened the scope of the business.

**Electric Power & Light.** Reported for the twelve months to May 31, last, net income of $7,433,323 after all deductions and charges. This, after dividend requirements on the preferred stocks was equivalent to 50 cents a share on 3,421,197 shares of common stock of no-par value. In the corresponding previous period the company earned the equivalent of $1.03 a share of common. As of May 31, last, dividend arrears on the $7 preferred totalled about $39, on the $6 preferred $33.50, and on the $7 second preferred about $43.

**North American Aviation.** This company's unfilled orders as of March 31, last, were in excess of $10,000,000, compared with $6,000,000 a year earlier. The stock has been active recently at the year's high above $10 a share.

**Baltimore & Ohio.** Already in debt to the R. F. C. for almost $88,000,000 this road has applied to the I. C. C. for permission to borrow $6,000,000 more. Yet, in the face of this huge indebtedness and lack of earning power, B. & O. common has risen from a low of $4 a share to $11 a share, around which price it is currently selling.

## General Electric Investments

Reporting to the S E C its investment holdings at the end of 1937, General Electric Co. reveals the details of a list about which there have been frequent guesses but no concrete information. Aside from its own stock, of which the two investment affiliates owned 620,804 shares at the year-end, one of the largest holdings is in Otis Elevator common. The 187,100 shares of this issue were carried at a book or cost value of $3,032,003, against a market value on December 31st of $4,116,200. A block of 27,000 shares of Babcock & Wilcox carried on the books at $1,350,000 had a market value of $2,187,000. Total investments were carried at $138,576,062, with a market value of $100,093,376, the losses occurring mainly, of course, in the depressed utility field. General Electric has been handicapped in its alternate role as an investment trust by its natural affinity for the power companies. When the picture changes for them, they can be counted upon not only for more orders for equipment but for higher values in the G. E. portfolio.

## National Power Votes to Sell Subsidiary

Almost 73% of the stock of the National Power & Light Co. voted the other day in favor of selling the Tennessee Public Service Co., a subsidiary, to the City of Knoxville, T. V. A. and the Appalachian Electric Power Co. The buyers, of course, are not acting jointly, but will acquire different parts of Tennessee Public Service's property. The total payment will be about $9,330,000, or enough to pay off the bondholders of Tennessee Public Service at 97½ and leave about $70 a share for the preferred stock. National Power & Light owns about 85% of the preferred, so that this company will salvage about $3,000,000 of its investment. The latter's stockholders may well take the attitude that while this is hardly satisfactory it is better than competing with the richest Government in the world bent on one's destruction.

# The Investment Clinic

**Discussing:—Nine Preferred Stocks with Accumulations—A Bond Yielding Six Per Cent—How to Record Security Transactions**

Conducted by J. S. WILLIAMS

### Speculative Preferreds with Arrears

Among the most immediate gainers from a turn in the business tide are the senior stock issues of companies which have fallen behind on their dividend payments. The list of such issues is a long one, but it is possible to exclude the ones with little or no chance of a comeback, and to concentrate on those which combine rather wide appreciation potentialities with reasonably sound current position and future outlook. Whatever provision is eventually made for clearing up the arrearages will result in reducing the cost of the commitment by a like amount, so that when and if regular payments are resumed the owner will receive a handsome return on the net amount invested. Needless to say, investment quality is lacking in these stocks roughly in proportion to their speculative flavor.

American Locomotive Co. 7 per cent cumulative preferred is now selling at about half its 1937 high. Since that high was recorded accumulated dividends have grown to $30.25 per share and although $7 was paid last year out of earnings of $17.37 per share, the prospects for an early reduction in the arrearage are not bright. The company has invariably demonstrated its earning power, however, when given the opportunity by a satisfactory volume of business, and a pickup in locomotive buying would find American Locomotive in excellent position to benefit.

General Cable 7 per cent preferred in the sixties is also selling for half of last year's high and has $36.75 in accumulated dividends due. Earnings in this volatile business have of course fallen well below recent levels, with a deficit of $.44 a share reported on the preferred stock in the first quarter, as compared with a profit of $5.92 in the first quarter of 1937. The stock is not an active one, but it responds readily to changes in the industrial pace and would quickly reflect a pickup in demand for the company's products.

Crucible Steel 7 per cent preferred is cumulative and non-callable, with arrears amounting to $26.75 at mid-year. Dividends during the three years from 1935 to 1937 were more than equal to the regular annual rate and a further payment of $1.75 was made in the first quarter of 1938. The directors have since, however, decided against continuing dividends at the regular quarterly dates, and payments over the balance of the year will doubtless be contingent upon better conditions in the industry. The dividend was covered more than twice last year, but the current low rate of steel operations is unlikely to produce anything in the way of profits even on the preferred stock.

Approximately 120,000 shares of the old Republic Steel preferred stock are still outstanding, with dividend accumulations of $16.50 per share. The $6 dividend rate was covered with a very wide margin in 1937, earnings being equivalent to $61.46 per share. Accumulations were reduced by $12 in addition to the regular $6 rate last year, but no payments have since been made and as in the case of Crucible Steel preferred a resumption of payments hinges entirely upon recovery in the steel industry.

Other preferred stocks with ar-

### Nine Preferred Stocks

| Name | Rate | Dividends Paid 1936 | Dividends Paid 1937 | Earnings 1936 | Earnings 1937 | Dividend Accumulations |
|---|---|---|---|---|---|---|
| American Locomotive | 7% | $3.00 | $7.00 | $3.29 | $17.37 | $30.25 |
| Budd Manufacturing | 7% | .... | .... | 16.65 | 20.48 | 52.50 |
| Crucible Steel | 7% | 4.75 | 9.00 | 12.84 | 16.83 | 26.75 |
| Foster Wheeler | $7 | .... | .... | 19.83d | 6.07d | 40.25 |
| General Cable | 7% | 7.00 | 7.00 | 11.03 | 8.22 | 36.75 |
| International Paper | 5% | .... | 2.50 | 5.43 | 9.88 | 5.00 |
| Minneapolis-Moline | $6.50 | 3.00 | 6.50 | 7.49 | 15.45a | 36.00 |
| Republic Steel (old) | 6% | 12.00 | 18.00 | 66.00 | 61.46 | 16.50 |
| Revere Copper | 7% | 3.50 | 7.00 | 19.37b | 3.49b | 36.75 |

a—Twelve months ended October 31. b—On combined preferred issues. d—Deficit.

rears include Budd Manufacturing 7 per cent preferred ($52.50), Minneapolis-Moline $6.50 ($36), Foster Wheeler $7 ($40.25), Revere Copper & Brass 7 per cent ($36.75), and the new International Paper & Power 5 per cent preferred with $5 in arrears. When kept in conservative proportion to the size of the portfolio, commitments in such issues as these can aid considerably in promoting its growth.

## Purity Bakeries Debentures

| Year | Available for charges (after depreciation) | Fixed Charges | Times Earned | Price Range |
|---|---|---|---|---|
| 1928 | $5,639,940 | $462,524 | 12.19 | 97⅞—92¼ |
| 1929 | 6,495,307 | 567,377 | 11.45 | 96¾—89¾ |
| 1930 | 4,831,126 | 427,156 | 11.31 | 97¾—85½ |
| 1931 | 2,415,657 | 426,450 | 5.66 | 97½—65 |
| 1932 | 1,035,270 | 411,767 | 2.51 | 79 —51 |
| 1933 | 1,305,034 | 397,929 | 3.28 | 85½—55 |
| 1934 | 836,179 | *627,981 | 1.33 | 96½—78¼ |
| 1935 | 356,490 | *608,074 | 0.59 | 101⅝—82¾ |
| 1936 | 1,372,013 | *604,527 | 2.27 | 103 —91¼ |
| 1937 | 1,045,742 | *562,194 | 1.86 | 101 —84 |

*—Including subsidiary preferred dividends.

### An Attractive Yield

Purity Bakeries Corp. 5 per cent sinking fund debentures of 1948 are selling on the New York Stock Exchange at about 92½, to yield 5.97 per cent to maturity. Although not secured by a mortgage, the $6,000,000 issue which is subject to a sinking fund of $200,000 annually constitutes the company's only funded debt, and provision is made against the creation of any prior liens.

Considering the nature of the business and the competition which has grown up over the last few years, it is apparent that the debentures are not entitled to a truly high-grade investment rating. One would not, however, deny them a place in a diversified portfolio under present conditions, particularly since their position is improving rather than deteriorating. First, there is the fact that the company is consolidating its operations by getting out of the less profitable fields and concentrating on the more promising. Second, there is the earnings improvement reported for the first part of the current year. In the fifty-two weeks ended January 1, 1938, fixed charges were covered 1.86 times, compared with 2.27 times in the previous year. For the first sixteen weeks of 1938, however, the net profit of $186,305 compared with only $28,199 in the corresponding part of 1937.

So far as financial position is concerned, Purity Bakeries appears to have working capital sufficient for its needs. Current assets at the close of last year totalled about $3,600,000, including cash of $1,900,000. Current liabilities amounted to $1,400,000. Despite the fact that approximately $1,000,000 was spent during 1937 in capital improvements and extensions, working capital increased somewhat during the year.

In these days of record-breaking ease in money rates it is difficult to obtain the return which some investors require. For such, so long as their portfolios are sufficiently diversified to justify it, the Purity Bakeries 5 per cent debentures yielding close to 6 per cent to maturity may well prove attractive.

### Simple Investment Accounting

There was a time when buying and selling securities was a purely personal affair and keeping a record of transactions was a matter of choice. But the tax laws have long since brought us to the point where every investor is either a practical accountant himself or is paying someone else to do the work for him around the first of March. Usually there is a scramble, too, during the closing weeks of December to find out what profits and losses have been taken and what remains to be done to minimize taxes. Then the following year a good portion of the ground must be covered all over again, old brokers' statements must be located, perhaps an inquiry comes along on an earlier tax question, and all this work for the Government goes on without any return to the investor in the shape of a clearer idea of his position.

Ten per cent more effort in addition to what must be done in any event would suffice to keep a practical, up-to-the-minute record of security transactions. It would be a guard against dividends going astray and against failure to collect coupons; it would check the tendency to ignore unpleasant facts at the times when investments should be receiving the most attention. Exactly like an investment trust, but with simpler methods, the individual investor can find out where he stands, where he has failed or succeeded in the past, and in which direction he is headed.

The first step is to open the accounts as of a certain date, and if the time can be spared it is an excellent idea to go back a year or two in order to provide a background. In the case of Mr. Smith who keeps one brokerage account in which are all his investment funds and securities, the broker's statement for the opening date is used to make a list of all holdings and the credit or debit balance. Each of the holdings is valued at its *original cost* until the eventual sale creates a realized profit or loss.

Mr. Smith uses a separate sheet of ordinary ledger paper for each security, entering the name at the top and the date of purchase, price and cost on the left-hand, debit side of the sheet. Where more than one block has been bought, these will appear as separate items. When sold, the corresponding information will appear on the right-hand or credit side of the page. The reverse side is used for a record of dividends or interest received on that particular security. Once a month, or perhaps not so frequently, the market value of total security holdings is calculated and compared with the book value, or cost. The difference between the two figures is the unrealized profit or loss which is not otherwise shown on the records.

The security sheets are subsidiary accounts, the total of which on the starting date is entered in a control account called, for example, (*Please turn to page* 421)

# Fifty-Eight Years of Dividends

## A Match Company That Profits from More Than Matches

BY J. S. McCORD

THE Diamond Match Co. and its predecessor organizations possess the distinctive record of having paid dividends without any interruption whatsoever since 1880. This, together with the remarkable stability of the company's earnings in recent years, is apt to give the impression that the industry is one that glides along placidly and profitably year in and year out. As a matter of fact, however, nothing could be further from the truth. Competition in matches is of the rip-snorting competitive variety such as that in which the makers of automobile tires have long delighted to indulge. Prior to the World War, there were eleven manufacturers of box matches and three makers of book matches in the United States; only four of the eleven box match makers are now in business and of the book match makers only the Diamond Match Co. is still alive!

Moreover, the industry has passed through a fundamental upheaval. Matches are no longer used in the home as they once were. There are few candles, oil lamps or gas lights to gladden the heart of the match manufacturer; even gas stoves today are largely fitted with pilot lights. On the other hand, the widespread increase in the smoking habit has more than offset the loss of household match volume, although the character of the business is different.

It is all very well to point out that the Diamond Match Co. has long been, and continues to be, the dominant factor in the domestic match industry, but it hardly explains the consistency of its profits in a business whose capacity is grossly excessive and where the mortality among the competition is very high. However, the explanation is the perfectly straightforward one that the Diamond Match Co. is no longer deriving the greater part of its profits from matches. These, including what the company sells on an agency basis for foreign interests, account for more than half the total sales volume, but no such proportion of the total profit.

Having acquired large tracts of timber in the Pacific Northwest and in New England, it was logical for the Diamond Match to swing into the building field. Today, in Northern and Central California it has fifty-eight retail yards which handle, in addition to the lumber products which the company itself makes, all kinds of building materials from cement to tin tacks. In New England at the end of last year fifteen yards were being operated. The retail yards accounted for slightly more than 20 per cent of sales last year. Woodenware, pulp and paper products accounted for about 12½ per cent, lumber and lumber products for about 8½ per cent and chemicals and miscellaneous for about 6 per cent.

In addition to its income from operations, the Diamond Match Co. derives a substantial return from a large portfolio of miscellaneous securities of which United States Government and municipal bonds make up the bulk. At the end of last year, marketable securities were worth about $15,000,000 at market prices; in interest and dividends during 1937 they paid the company some $514,000. The company's total net earnings for the year were about $2,112,000.

The capitalization of the Diamond Match Co. is a simple one. Outstanding in the hands of the public there are 700,000 shares of common stock of no par value, senior to which there are 600,000 shares of 6 per cent, cumulative, participating, non-callable preferred of $25 par value. There is no funded debt of any kind. The preferred stock has preference as to dividends up to $1.50 annually and then, after the common has received a like amount, the preferred shares equally with the common until $2 has been paid. Having received $2, however, the preferred participates no further.

Last year's earnings, after preferred dividends, were equivalent to $1.73 a share on the common, compared with $1.65 a share in 1936. for the first quarter of the present year, earnings were equivalent to 39 cents a share on the common, against 44 cents a share in the first quarter of 1937. Last April the Diamond Match Co. declared a 50-cent extra dividend in cash on the preferred stock, so that for *(Please turn to page 420)*

# Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET will answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities.*
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. If not now a paid subscriber use coupon elsewhere in this issue and send check at same time you transmit your inquiry.

Special rates upon request for those requiring additional service.

### American Smelting & Refining

*Considering its stake in Mexico, and also the situation in the copper market, may I have your recommendations on American Smelting & Refining which I bought at 47⅜ four years ago?—F. J. F., Tucson, Arizona.*

Reflecting substantially lower prices for non-ferrous metals and greatly restricted demand, earnings of American Smelting & Refining have slumped sharply in recent months. Profits in the first two months of the current year were at the yearly rate of $2.63 a share for the common stock. This compares with a rate of $8.37 a share in the same period of 1937. Current earnings, on this basis, have receded to the approximate level of January and February, 1935. For all of 1937 the company reported net of $18,285,425, equal after preferred dividends to $6.54 a share on 2,191,669 shares of common stock. Results last year compare with earnings equal to $6.85 per share on 1,829,940 shares in 1936. At the close of 1937, current assets, including nearly $20,000,000 cash and government securities, amounted to $86,445,420, while current liabilities were $22,244,533. At this time, at least, there is scant basis for believing that the company faces any danger of expropriation of its properties by the Mexican government. While the full extent of the company's Mexican interests has never been disclosed, it is known that American Smelting operates its own mines and smelters and is also engaged in the processing of ore for others in Mexico. However, by far the greater portion of the company's interests lie outside of Mexico. Of more immediate concern is the difficult labor situation in Mexico. Labor disputes and excessive wage demands have been frequent. Whatever unfavorable implications are contained in the Mexican phase of American Smelting's operations, they are at this time overshadowed by the recent strength in non-ferrous metal prices, notably lead and zinc. Moreover, promise of improvement in the statistical position of copper following substantially curtailed production activities on the part of two leading domestic producers, suggests that there is little likelihood of further weakening in copper prices. Any improvement in general business, and particularly the heavier industries, should find prompt reflection in the earnings of American Smelting. All things considered, therefore, we would endorse continued retention on the part of present holders and, further, believe that the shares offer a potentially profitable speculative venture, acquired at any dip in the general market from recently prevailing levels.

### American Safety Razor Corp.

*The increasing number of electric razors being advertised makes me wonder whether changing shaving habits are mitigating against American Safety Razor. May I have your comments on its prospects?—B. H. L., Minneapolis, Minn.*

American Safety Razor Corp. manufactures the well known "Gem" and "Ever-Ready" razors and blades, together with brushes and various other shaving accessories. Although intense competition characterizes the company's field, its record of sustained profits over recent years has been quite impressive. The maximum fluctuation in profits over the past three years has been less than $200,000. The best showing was made in 1936 when net of $1,414,226 was equal to $2.70 a share on the stock. Last year higher costs had the effect of reducing net moderately, and a profit of $1,294,243 was equal to $2.47 a share. Contributing to the stability of earnings, of course, is the fact that the company has the benefit of a modest capitalization consisting solely of 524,400 shares of common stock. Financial position is strong. In the initial three months of the current

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year net of $225,761 was equivalent to 43 cents a share, comparing with 55 cents a share earned in the same months a year ago. The latest quarterly dividend was at the rate of 40 cents a share, which compares with 50 cents a share paid earlier in the year. The increasing popularity of electric razors has doubtless had some effect in restricting the company's sales and reports are current that American Safety Razor is planning to introduce shortly its own electric shaver. On the whole, there is no apparent reason for questioning the company's competitive ability but we doubt the likelihood of any substantial increase in earnings over the near future. In the circumstances, the shares are primarily suited for income. On the latter basis we would endorse their retention but issues enjoying a greater measure of both capital and industrial leverage probably offer the greatest opportunities for price appreciation in the months ahead.

## International Petroleum Co., Ltd.

*Do you consider International Petroleum a reasonably conservative investment at around current market prices, and is there a possibility of any considerable appreciation in price?—B. S. A., Springfield, Mass.*

International Petroleum Co., Ltd., as you may know, is controlled by Imperial Oil Ltd., which in turn is controlled by Standard Oil Co. (N. J.). These strong affiliations testify to the company's importance and, in its own right, International Petroleum may be justly regarded as one of the top-flight oil producing units. Producing properties are located in South America, chiefly in Peru and Colombia. Last year total production of crude oil amounted to approximately 34,500,000 barrels, comparing with 33,882,000 barrels in 1936 and 24,053,000 barrels in 1932. In the first five months of the current year total production was 14,039,321 barrels. While this figure was slightly under the 1937 level for the comparable period, the decline is not particularly significant. While the company's South American markets appear likely to take increasing quantities of crude oil, it would appear that the greatest opportunities for expansion lie in Canada, Europe, Cuba and the Dutch West Indies, all of which markets currently surpass South America in the quantity of crude oil delivered by International Petroleum. Well fortified financially, the company appears to be in an excellent position to maintain the present $1.50 dividend, which is usually augmented by extras. On the whole, the shares may be regarded as one of the more conservative vehicles for participation in the oil industry, and from the standpoint of price appreciation, the stimulation of better security prices generally may well enhance the quoted values of the shares to levels approaching the 1937 high of 39½.

## American Machine & Foundry

*Do you feel the early prospects for American Machine & Foundry warrant my retaining further 100 shares purchased in 1936 at 28½?—H. H. D., Taunton, Mass.*

Although in recent years, the management of American Machine & Foundry Co. has been aggressively engaged in attempting to diversify the company's activities, until the results of these endeavors are more apparent, cigar and cigarette machinery must be relied upon to supply the bulk of profits. For this reason, earnings are likely to continue more or less static. It is the policy of American Machine & Foundry Co. to lease its cigar-making machinery on a royalty basis and to sell cigarette machines outright, with parts and repair work furnishing a steady auxiliary source of income. With the probability that growth of earnings derived from these sources is likely to be somewhat circumscribed, the management has turned its attention to the objective of diversifying its products and thereby preparing for a period of satiation in its main market. The logical focus of efforts has been the baking industry, where ample opportunities for mechanization of processes exist. In addition to bread-wrapping machinery, the company offers a list of equipment which includes ovens, mixers, conveyers, etc. The entire equity of the company is vested in 1,000,000 shares of common stock. Last year, notwithstanding an increase of more than $1,000,000 in sales and royalties, the company's net profit of $1,038,346 compared with $1,210,440. Apparently larger operating costs levied a sizable toll on profits. Applied to the common stock, net last year was equal to $1.04 a share, comparing with $1.21 a share in 1936 and $1.12 in 1935. Financial position at the year-end was comfortable. Although somewhat lacking in the factors which would lend their promising speculative attraction to the shares, they may be credited with a measure of attraction as an income-producing issue. For any one primarily concerned with sustained income, we would lend our endorsement to continued retention at current levels.

## Mack Trucks

*With Mack Trucks selling 45 points below its 1937 high don't you consider this stock a real speculative holding at this time? Won't the proposed government spending aid its third and fourth quarter earnings?—B. N., Denver, Colo.*

While we are of the opinion that Mack Trucks common shares have sufficient merit to warrant their retention on a speculative basis at this time, there is, of course, no assurance that the shares may again reach their 1937 high in the near future. The company is a leading producer of trucks and buses and since 1936 has appreciably enlarged its sales scope through the introduction of a new line of small trucks. Until recently, the company specialized in heavy-duty models. The company's operations are naturally sensitive to activity in the heavier industries, and particularly the construction industry. As a consequence, earnings have shown wide fluctuations over the past five years. Net income in 1936 was equal to $2.41 a share but last year, despite an increase of $3,500,000 in net sales, net income declined to $1,284,691, or the equivalent of $2.15 a share. Total dividends paid in 1937 amounted to $1.25 on the common stock. In the initial quarter of the current year, a net loss, after taxes, depreciation and other charges, of $254,349 was shown, as compared with a profit of nearly $300,000 or the equivalent of 49 cents a share on the capital stock in the initial quarter of 1937. Capitalization is simple, consisting solely of 597,335 shares of common stock. At the end of last year, current assets were in excess of $26,800,000, while current liabilities were less than $3,500,000. Following the payment of 25 cents per share last March, the directors decided to forego action on the June payment. With the bene-

fit of some improvement in general business in the last half of the year, the company may show a modest profit for all of 1938. Conspicuous revival in earnings, however, will probably be deferred until broader recovery in the heavier industries has been experienced, for in the past it has been characteristic of the company's sales to lag somewhat behind the general recovery. The longer term outlook, however, is sufficiently hopeful at this time to justify retention of present commitments, on a speculative basis.

### Continental Can

*With the canning season about to get under way, what are your recommendations on Continental Can? I have 135 shares bought last year at 47⅞.—W. A. H., Baltimore, Md.*

The depressed state of general business currently obtaining naturally will have a restraining influence upon demand for tin containers and this would indicate somewhat lower earnings for Continental Can this year. However, with approximately two-thirds of the company's output normally going to the relatively stable food industry, no great drop in volume business seems likely. Much depends, of course, upon the size of fruit and vegetable packs this year, but given normal growing conditions, this end of the business should compare favorably with a year ago. In the report of the company covering the twelve months ended March 31, 1938, net profit of $8,362,025, equivalent, after dividend requirements on the $4.50 preferred stock, to $2.78 a share on the common, compared with $9,080,316, or $3.18 a common share, for the preceding year. Because of the fact that the company accumulated large inventories of low cost tin plate, its profit margins should be well maintained. While the issuance of 200,000 shares of $4.50 preferred stock during the latter part of 1937, to build up working capital and retire bank loans, will tend to reduce earnings available for common stockholders under present conditions, maintenance of liberal payments to the junior equity holders is indicated. With a pick-up in industrial activity, the large capital expenditures of the company over recent years should enable the organization to show larger common stock earnings. In view of the organization's strong trade position and the relative stability in earning power indicated even under present depressed business conditions, the stock is regarded as among the more attractive of income producers for longer term holding.

### Ward Baking Co.

*As a regular subscriber may I have your opinion on the prospects during the balance of the year for Ward Baking Class "A" shares?—B. M. D., Asheville, N. C.*

As the fourth largest unit in the baking field operating in the eastern and western sections of the country, the Ward Baking Co. specializes in branded breads and a wide variety of cakes and pastries. The baking industry is highly competitive, and profits have been restricted for a number of years, with the result that the preferred issue has large dividend arrears. The back dividends due on the senior issue of course remove the class "A" stock from the possibility of an early dividend consideration, but the class "A" stock is not devoid of speculative attraction. The company has worked off its high cost inventories, and is now benefiting from lower ingredient costs. Profits during the first six months of the current year should be satisfactory, as wider profit margins should have counteracted declining sales. A high degree of leverage is imparted to the class "A" shares, due to the capitalization of the company, which makes for a wide variance in earnings for the junior issue. As a speculation we would approve longer term retention of the class "A" shares.

### S. H. Kress & Co.

*Friends have been emphasizing the speculative appeal of S. H. Kress & Co. at the current market. What is this company's outlook and its position in the chain store field?—M. G. B., Fort Worth, Texas.*

Over a period of years the earnings of S. H. Kress & Co., operators of a chain of 235 variety stores, have displayed a remarkably stable trend. Net profit in 1937 amounted to $5,856,447 or $2.30 a share on 2,351,826 common shares, while the smallest net in the past ten years was in 1932, a depression year, when $3,428,148 was reported. The common stock, split two for one in 1936, is outranked by only 720,911 shares of preferred stock which is entitled to a 60-cent annual dividend. The company's stores are located in southern and western states, territories possessing long term growth possibilities. The company plans to open four new stories this year, but emphasis is being placed on improving the present locations. Sales for the first five months of 1938 showed a decline of 7.1%, reflecting lower consumer purchasing power. However, the $1.60 annual dividend on the common stock appears reasonably well secured. The common stock is a suitable speculation provided you are willing to ignore temporary fluctuations as the stock usually has a rather wide market.

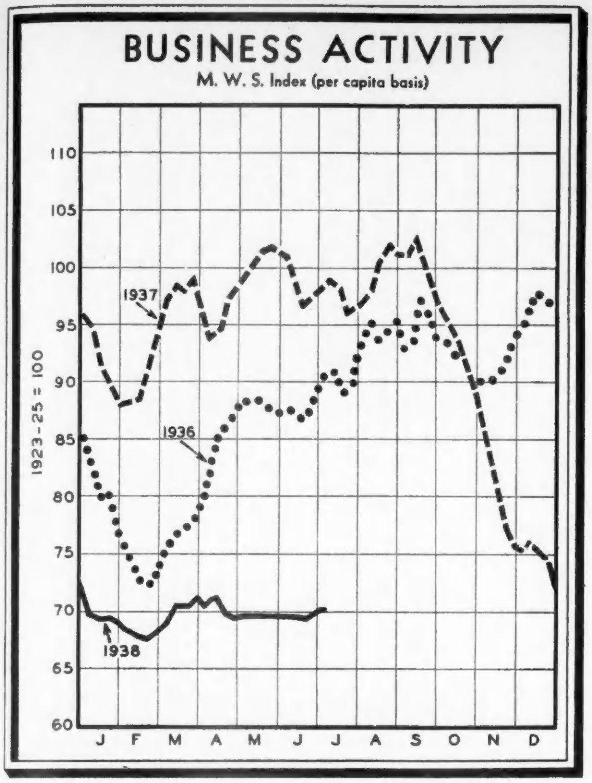
### Seaboard Oil Co.

*I have been told that Seaboard Oil Co. suffered heavily through the loss of its properties in Mexico. What do you think of its prospects? Should I hold, or sell, 150 shares which cost me 37¼?—S. M. F., Atlanta, Ga.*

For the first quarter of this year Seaboard Oil earned the equivalent of 37 cents a share on its capital stock, and undoubtedly because of the company's shrinkage of income from its Mexican properties and also a cutting down of production in Kettleman Hills, California, the second quarter of this year may show a small reduction from earnings of the first three months.

As far as the Mexican situation is concerned, however, the producing properties of the company there have not been expropriated by the Mexican government, although the pipe lines connecting them have been taken over. As a consequence it is not possible to move out the oil which has been run into the company's storage tanks and last year Seaboard's net profits from the Mexican properties amounted to approximately half a million dollars. In appraising the company's outlook it must be borne in mind that last year Seaboard extended its operations in the mid-continent area by the discovery of the "Luby" field in Texas and up to March of this year twenty-four producing wells had been completed in that area, which comprises approximately 3,000 acres. The oil from this particular field is of high gravity and the company plans considerable de-

(*Please turn to page 423*)




## HIGHLIGHTS

**INDUSTRY**—Moderate improvement in past fortnight.

**TRADE**—Narrowing decline below last year noted by wholesalers and retailers.

**COMMODITIES**—Raw staples and wholesale prices point upward.

**MONEY AND CREDIT**—Bank deposits and industrial loans expand modestly. More corporate financing expected.

# *The Business Analyst*

With all components of our Index, save the volume of Money in Circulation, reporting somewhat better than normal seasonal expansion during the past fortnight, the country's per capita **Business Activity** has turned upward a little more than two points to around 71% of the 1923-5 overage. **Check Payments**, swelled by settlements for heavy purchases of securities, have staged the greatest improvement—followed by **Steel Operations, Automobile Production** and **Cotton Cloth** output, with seasonally adjusted gains of approximately 5%. **World Industrial Production** during April, the latest date for which complete figures are available, was off 23% from a year earlier, compared with a 26% decline for the United States alone.

* * *

According to Department of Commerce estimates, **National Income Produced** last year amounted to 69.8 billions, against a **National Income Paid Out** of 69.2 billions. Corporate savings for the year thus reached only 600 millions. For the month of May, **National Income Paid Out** came to 4.89 billions, compared with 5.19 for April and 5.41 in May, 1937. The cumulative total for five months was 25.38 billions, against 27.28 for the like period last year, a decline of only 7%. The Department

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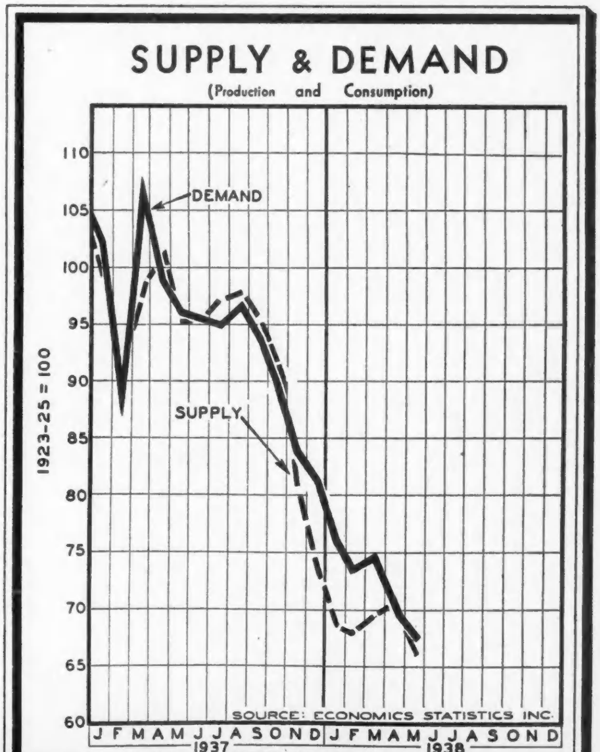


# Business and Industry

| | Date | Latest Month | Previous Month | Last Year |
|---|---|---|---|---|
| **INDUSTRIAL PRODUCTION (b)** | | | | |
| World | Apr. | 91.4 | 93.2 | 111.8 |
| U. S. A. (ba) | May | 76 | 77 | 118 |
| Canada | Apr. | 97.0 | 92.4 | 109.4 |
| United Kingdom | May | 109.8 | 111.4 | 119.9 |
| France | Apr. | 73.2 | 74.8 | 82.7 |
| Germany | Apr. | 125.3 | 127.2 | 118.1 |
| **WHOLESALE PRICES (h)** | May | 78.1 | 78.7 | 87.4 |
| **COST OF LIVING (d)** | | | | |
| All items | May | 86.5 | 86.8 | 88.8 |
| Food | May | 80.8 | 81.1 | 88.4 |
| Housing | May | 87.0 | 87.2 | 86.1 |
| Clothing | May | 74.5 | 75.1 | 76.7 |
| Fuel and Light | May | 83.7 | 85.7 | 83.7 |
| Sundries | May | 97.6 | 97.6 | 96.8 |
| Purchasing value of dollar | May | 115.6 | 115.2 | 114.5 |
| **NATIONAL INCOME (cm)†** | May | $4,891 | $5,186 | $5,407 |
| **CASH FARM INCOME†** | | | | |
| Farm Marketing | May | 509 | 489 | 577 |
| Including Gov't Payments | May | 553 | 549 | 610 |
| Total, First 5 Months | 1938 | 2,780 | ...... | 3,197 |
| Prices Received by Farmers (ee) | May | 92 | 94 | 128 |
| Prices Paid by Farmers (ee) | May | 125 | 125 | 134 |
| Ratio: Prices Received to Prices Paid (ee) | May | 74 | 75 | 96 |
| **FACTORY EMPLOYMENT (f)** | | | | |
| Durable Goods | May | 68.3 | 70.0 | 99.9 |
| Non-durable Goods | May | 87.4 | 89.8 | 104.8 |
| **FACTORY PAYROLLS (f)** (not adjusted) | May | 69.4 | 70.7 | 105.2 |
| **RETAIL TRADE** | | | | |
| Department Store Sales (f) | May | 79 | 83 | 93 |
| Chain Store Sales (g) | May | 103.3 | 105.0 | 112.0 |
| Variety Store Sales (g) | May | 106.1 | 108.6 | 117.0 |
| Mail Order Sales† | May | $78.6 | $77.2 | $89.0 |
| Retail Prices (s) as of | June 1 | 89.5 | 90.2 | 95.6 |
| **FOREIGN TRADE** | | | | |
| Merchandise Imports† | May | $148.3 | $159.9 | $284.7 |
| Cumulative year's total† | May 31 | 815.3 | ...... | 1,397.2 |
| Exports† | May | 257.2 | 274.5 | 289.9 |
| Cumulative year's total† | May 31 | 1,359.5 | ...... | 1,171.2 |
| **RAILROAD EARNINGS** | | | | |
| Total Operating Revenues★ | 1st 5 mos. | $1,354,269 | ...... | $1,735,222 |
| Total Oper. Expenditures★ | 1st 5 mos. | 1,113,770 | ...... | 1,293,048 |
| Taxes★ | 1st 5 mos. | 141,302 | ...... | 147,893 |
| Net Rwy. Operating Income★ | 1st 5 mos. | 45,289 | ...... | 240,112 |
| Operating Ratio % | 1st 5 mos. | 82.24 | ...... | 74.52 |
| Rate of Return % | 1st 5 mos. | 0.54 | ...... | 2.85 |
| **BUILDING Contract Awards (k)** | | | | |
| Total† | May | $283.2 | $222.0 | $244.1 |
| Residential† | May | 83.2 | 74.6 | 83.9 |
| Public Works and Utility† | May | 122.2 | 67.0 | 66.7 |
| Non-Residential† | May | 77.8 | 80.4 | 93.5 |
| Publicly Financed† | May | 143.6 | 99.0 | 92.5 |
| Privately Financed† | May | 139.6 | 123.0 | 151.5 |
| **Building Permits (c)** | | | | |
| 214 Cities† | May | $63.7 | $68.6 | $79.1 |
| New York City† | May | 14.0 | 16.2 | 19.3 |
| Total, U. S.† | May | 77.7 | 84.8 | 98.4 |
| **Engineering Contracts (En)†** | June | $223.0 | $183.8 | $274.4 |
| **CONSTRUCTION COST INDEX (En) 1913—100** | July 1 | 233.10 | 236.86 | 239.90 |

## PRESENT POSITION AND OUTLOOK

(Continued from page 409)

estimates that people in the United States will have 13% less money to spend this year than during 1937. **Farm income** during May, including benefit payments, came to 553 millions, a 9% decrease from the like period of 1937, against a five months' decline of 13%. Benefit payments received by farmers during the first five months amounted to less than 8% of their total cash income.

* * *

**Factory employment** in May was 2.7% below April and 24% less than a year earlier. **Factory payrolls** in May were 1.5% smaller than for April and 34% lower than last year. Based upon the latest available figures, **prices** compared with a year ago average 24% lower on raw materials, are off 10% at **wholesale** and 6.4% at **retail,** while the **cost of living** is down 2.6% from last year and 12.6% below May of 1929.

* * *

**Department store sales** in the New York area, where sentiment is traditionally cheered by rising stock prices, are now running only 5% below last year in dollar totals, whereas a month ago the drop was around 19%. For the country as a whole, sales during the week ended June 25 were off only 10%, against a four weeks' decline of 13%. Department store **inventories** at the end of May were 9% lower than a year ago; while wholesale inventories were off 14%, against a 6% increase around the first of the year. That fast growing Colossus, the self service supermarket, is selling fully as much food as a year ago.

* * *

Although **car loadings** are running currently about 28% below last year, there is an atmosphere of greater hopefulness in railroad circles as general business activity shows signs of picking up. Class I **railroads** for May reported a decline of 23% below last year in gross revenues; and a 37% drop in n. o. i., against a five months' slump of 81%. New **freight cars** on order as of June 1st totaled only 4,484, compared with 45,176 a year earlier. **Locomotives** on order numbered 62, against 359. During the first five months Class I carriers installed only 5,786 new freight cars, compared with 27,807 during the like period of 1937; and installed 160 locomotives, against 134.

* * *

**Engineering construction awards** for the week ended June 30 were 22% above the corresponding week of 1937, resulting in a cumulative recession of only 3½% from the first of the year to date; though **building permits** issued in May were 12% below April and 21% under last year. However, mortgages accepted for insurance by the FHA, a better barometer for the industry, showed a June total of more than 40% above last year. **Building material prices** at wholesale are now 7.1% lower than a year ago; but total **construction** costs throughout the nation average about the same as last year.

| | Date | Latest Month | Previous Month | Last Year |
|---|---|---|---|---|
| **STEEL** | | | | |
| Ingot Production in tons★ | June | 1,638 | 1,807 | 4,185 |
| Pig Iron Production in tons★ | June | 1,062 | 1,255 | 3,108 |
| Shipments, U. S. Steel in tons★ | May | 465 | 502 | 1,304 |
| **AUTOMOBILES** | | | | |
| Production | | | | |
| Factory Output | June | 170,000(pl) | 210,183 | 521,053 |
| Total 1st 5 Mos | 1938 | 1,117,685 | ...... | 2,395,716 |
| Retail Sales | | | | |
| Passenger Cars, U. S. (p) | May | 178,060 | 192,243 | 391,697 |
| Trucks, U. S. (p) | May | 31,500 | 35,726 | 65,857 |
| **PAPER (Newsprint)** | | | | |
| Production, U. S. & Canada★ (tons) | May | 275.7 | 259.6 | 388.2 |
| Shipments, U. S. & Canada★ (tons) | May | 259.5 | 271.5 | 389.7 |
| Stocks, U. S. & Canada★ (tons) | May 31 | 218.8 | 202.6 | 82.0 |
| **INVENTORIES (f)** | | | | |
| Manufactured Goods | May | 124 | 122 | 107 |
| Raw Materials | May | 154 | 93 | 165 |
| Dept. Store Stocks | May | 69 | 69 | 76 |
| **GENERAL** | | | | |
| Machine Tool Orders (f) | May | 66.7 | 90.3 | 208.5 |
| Railway Equipment Orders (Ry) | | | | |
| Locomotive | May | 5 | 3 | 14 |
| Freight Cars | May | 6,114 | 3 | 3,903 |
| Passenger Cars | May | 55 | 1 | 8 |
| Cigarette Production† | May | 14,324 | 12,527 | 13,070 |
| Bituminous Coal Production★ (tons) | May | 12,995(pl) | 22,195 | 30,077 |
| Boot and Shoe Production Prs.★ | May | 30,196 | 33,328 | 35,411 |
| Portland Cement Shipments★ | May | 9,752 | 8,678 | 11,890 |
| **COMMERCIAL FAILURES (c)** | May | 1,053 | 1,116 | 834 |

## PRESENT POSITION AND OUTLOOK

Forthcoming reports will probably show second quarter earnings of the **automobile industry** a little better than first quarter results, mainly owing to economies; and similar improvement is believed to have taken place among auto parts makers. Third quarter profits should make a still better showing; since **steel** costs at Detroit have just been reduced by an average of $5 a ton, and rising stock market quotations are stimulating sales, particularly of higher priced models.

* * *

**Cigarette** deliveries during May established a new high record for that month with a 9.6% increase over May, 1937, compared with a cumulative gain of 11% for five months. Snuff withdrawals were about the same as last year; but Cigars were down 8% and Manufactured Tobacco 2%.

* * *

Although further progress in the reduction of **inventories** was made during May, total stocks on hand at the end of the month, according to Department of Commerce estimates, were 43% greater than a year earlier. Considerable progress was made during the month in working off accumulations of Raw Material, which are now only 55% above last year against an excess of 69% at the end of April. There was an actual increase, however, in stocks of Manufactured Goods during the month of May. Textile inventories are up 100% from last year.

## WEEKLY INDICATORS

| | Date | Latest Week | Previous Week | Year Ago |
|---|---|---|---|---|
| **ELECTRIC POWER OUTPUT** | | | | |
| K.W.H.† | July 2 | 2,015 | 2,019 | 2,238 |
| **TRANSPORTATION** | | | | |
| Carloadings, total | July 2 | 588,864 | 558,937 | 802,346 |
| Grain | July 2 | 50,954 | 41,996 | 51,415 |
| Coal and Coke | July 2 | 97,618 | 90,953 | 128,159 |
| Forest Products | July 2 | 27,793 | 26,633 | 41,515 |
| Manufacturing & Miscellaneous | July 2 | 231,264 | 220,539 | 321,666 |
| L. C. L. Mdse | July 2 | 146,931 | 145,461 | 169,362 |
| **STEEL PRICES** | | | | |
| Pig Iron $ per ton (m) | July 5 | 19.61 | 21.91 | 23.25 |
| Scrap $ per ton (m) | July 5 | 12.58 | 12.08 | 17.42 |
| Finished c per lb. (m) | July 5 | 2.300 | 2.350 | 2.512 |
| **STEEL OPERATIONS** | | | | |
| % of Capacity (m) week of | July 9 | 23.0 | 28.0 | 82.7 |
| **CAPITAL GOODS ACTIVITY** | | | | |
| (m) week ending | July 2 | 45.9 | 44.8 | 94.1 |
| **PETROLEUM** | | | | |
| Average Daily Production bbls.★ | July 2 | 3,059 | 3,084 | 3,526 |
| Crude Runs to Stills Avge. bbls.★ | July 2 | 3,095 | 3,025 | 3,380 |
| Total Gasoline Stocks bbls.★ | July 2 | 80,634 | 82,412 | 74,964 |
| Gas and Fuel Oil Stocks bbls.★ | July 2 | 138,803 | 137,801 | 102,262 |
| Crude—Mid-Cont. $ per bbl | July 11 | 1.27 | 1.27 | 1.27 |
| Crude—Pennsylvania $ per bbl | July 11 | 1.40 | 1.50 | 2.35 |
| Gasoline—Refinery $ per gal | July 11 | .06⅞ | .06¾ | .07½ |

## PRESENT POSITION AND OUTLOOK

With slowly expanding industrial activity, **electric power** continues to increase at a somewhat better than normal seasonal rate. Utility earnings for the second quarter are believed to have averaged about 12% to 15% below last year, compared with the 10% recession actually reported for the first quarter; though results varied widely—companies operating in the Southwest running ahead of last year, with systems supplying the great industrial and mining regions experiencing the heaviest losses.

* * *

Recent price reductions averaging $3 to $4 in **steel** products are estimated to have raised the pay point of the industry to around 60%, and will eat seriously into profits unless volume picks up substantially or compensating wage reductions can be effected before long. Small independents will be hurt more than the large, integrated companies through drastic revisions in the basing point system; since the latter, with a number of stretegically located plants, have thereby been placed in a stronger competitive position.

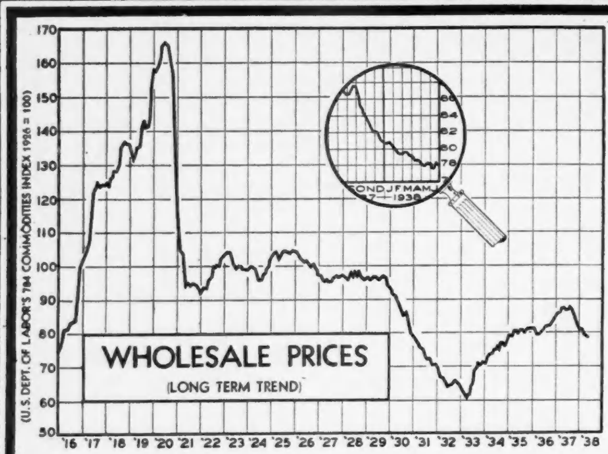
* * *

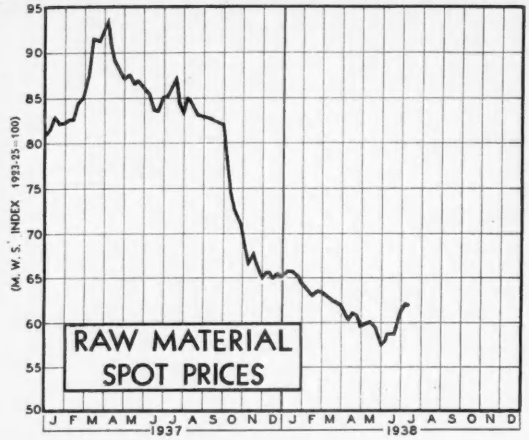
The profit outlook for **petroleum** refiners is being improved by rising **gasoline** prices.

†—Millions. ★—Thousands. (b)—Annalist Index 1928—100. (ba)—Federal Reserve 1923-25—100. (c)—Dun & Bradstreet's. (cm)—Dept. of Commerce estimates of income paid out. (d)—Nat. Ind. Conf. Bd. 1923—100. (e)—Dept. of Agric., 1924-29—100. (ee)—Dept. of Agric., 1909-14—100. (f)—1923-25—100. (g)—Chain Store Age 1929-31—100. (h)—U.S.B.L.S. 1926—100. (k)—F. W. Dodge Corp. (m)—Iron Age. (n)—1926—100. (p)—R. L. Polk & Co.'s Estimate. (pl)—Preliminary. (s)—Fairchild Index, Dec. 1930—100. (En)—Engineering News Record. (Ry)—Railway Age.

# Trend of Commodities

The continued buoyancy of commodity prices as a whole reflects in a large measure the mounting optimism with respect to the fall business prospect. Thus far, however, rising prices have failed to release any considerable volume of forward buying and transactions in commodity futures have been dominated by speculative buying. This patient attitude on the part of industrial purchasing agents is doubtless born of the knowledge that there is no existing or potential shortage of basic commodities. Various artificial control measures could be modified promptly whenever demand warranted such action. July and August promise to show an improving relationship between supply and demand of numerous commodities, with the probable exception of leading farm crops burdened with large surpluses.




**Changes in Major Commodity Price Group for the Fortnight Ended July 2, 1938**

| | | | | | |
|---|---|---|---|---|---|
| Farm Products | 68.5 | down 1.2 | Metals | 95.1 | down 1.4 |
| Foods | 72.7 | down 0.8 | Building Material | 89.5 | down 0.3 |
| Hides and Leather | 91.9 | up 0.8 | Chemical | 76.7 | up 0.9 |
| Textiles | 65.3 | up 0.5 | Housefurnishings | 88.4 | down 0.2 |
| Fuel and Lighting | 77.0 | up 0.3 | | | |

| | Date | Latest Wk. or Mo. | Previous Wk. or Mo. | Year Ago |
|---|---|---|---|---|
| **Cotton** | | | | |
| Price cents per pound, closing | | | | |
| July | July 9 | 8.98 | 9.02 | 12.47 |
| October | July 9 | 8.94 | 9.01 | 12.55 |
| Spot | July 9 | 9.03 | 9.12 | 12.90 |
| (In bales 000's) | | | | |
| Visible Supply, World | July 8 | 8,106 | 8,142 | 4,762 |
| Takings, World, wk. end | July 8 | 219 | 278 | 335 |
| Total Takings, season to | ..... | ★ | ★ | ★ |
| Consumption, U. S. | May | 426 | 414 | 670 |
| Exports, wk. end | July 8 | 44 | 36 | 43 |
| Total Exports, season to | July 8 | 5,553 | 5,509 | 5,373 |
| Government Crop Est. (final) | 1937 | 18,946 | ...... | 12,399 |
| Active Spindles (000's) | May | 21,342 | 21,786 | 24,656 |
| **WHEAT** | | | | |
| Price cents per bu. Chi. closing | | | | |
| July | July 9 | .70¾ | 73 | 122⅜ |
| September | July 9 | .72 | 74¼ | 123⅝ |
| Exports bu. (000's) since July 1 to | July 2 | 131,443 | 129,593 | 121,366 |
| Exports bu. (000's) wk. end | July 2 | 1,850 | 1,296 | 3,028 |
| Visible Supply bu. (ooo's) as of | July 2 | 27,607 | 24,527 | 16,212 |
| Gov't Crop Est. bu. (000's) winter | July 1 | 715,425 | 760,623 | 685,102(e) |
| **CORN** | | | | |
| Price cents per bu. Chi. closing | | | | |
| July | July 9 | 57⅞ | 57⅜ | 128⅛ |
| September | July 9 | 59¼ | 58¾ | 114⅝ |
| Exports bu. (000's) since July 1 to | July 2 | 91,942 | 89,352 | 34 |
| Visible Supply (bu. 000's) as of | July 2 | 23,799 | 23,104 | 5,522 |
| Gov't Crop Est. (bu. 000's) | July 1 | 2,482,000 | ...... | 2,644,995 (e) |

### PRESENT POSITION AND OUTLOOK

**Cotton.** The Government estimated that total acreage sown to cotton as of July 1 was 26,904,000 acres, lowest since 1900. This was somewhat higher than previous private estimates. Official estimates of the crop will not be released until August 8, but on the basis of unfavorable weather conditions over the past three months, resulting in considerable weevil damage, private estimators are anticipating a crop of about 10,500,000 bales. Sentiment in the textile trade has improved and buying interest continues fairly active. Firm to slightly higher prices likely.

* * *

**Wheat.** The latest Government estimate of winter wheat, based on conditions as of July 1, was considerably under previous estimates, the effects of rust damage, late freezes and retarded pollinization having become more apparent. Nevertheless, the prospect still favors a total winter and spring wheat crop of more than a billion bushels. Meanwhile, it now appears that principal European crops will be better than previously expected. Crop loans likely to have a basic rate of 60 cents a bushel. Huge surpluses will continue to be a detriment to higher prices.

* * *

**Corn.** The most recent Government estimate indicates a current yield only slightly less than 1937. Export demand has spurted recently. Prices likely to continue firm.

| | Date | Latest Wk. or Mo. | Previous Wk. or Mo. | Year Ago |
|---|---|---|---|---|
| **COPPER** | | | | |
| Price cents per lb. | | | | |
| Domestic | July 9 | 9.75 | 9.50 | 14.00 |
| Export c. i. f. | July 9 | 9.60 | 9.80 | 14.05 |
| Refined Prod., Domestic (tons) | May | 47,300 | 55,749 | 95,265 |
| Refined Del., Domestic (tons) | May | 28,044 | 31,684 | 81,336 |
| Refined Stocks, Domestic (tons) | May | 369,809 | 355,663 | 108,585 |
| Refined Prod., World (tons) | May | 144,344 | 162,588 | 204,140 |
| Refined Del., World (tons) | May | 136,567 | 161,261 | 196,055 |
| Refined Stocks, World (tons) | May | 554,356 | 541,579 | 291,448 |
| **TIN** | | | | |
| Price cents per lb., N. Y. | July 9 | 42.60 | 43.125 | 57.50 |
| Tin Plate, price $ per box | ..... | 5.35 | 5.35 | 5.35 |
| World Visible Supply† | July 1 | 19,660 | 20,745 | 19,398 |
| U. S. Deliveries† | June | 4,205 | 4,275 | 6,645 |
| U. S. Visible Supply† | July 1 | 19,230 | 19,660 | 18,156 |
| **LEAD** | | | | |
| Price cents per lb., N. Y. | July 9 | 4.75 | 4.75 | 6.00 |
| U. S. Production (tons) | May | 32,977 | 39,291 | 42,605 |
| U. S. Shipments (tons) | May | 26,011 | 25,952 | 55,212 |
| Stocks (tons) U. S., as of | May 31 | 163,723 | 156,715 | 115,843 |
| **ZINC** | | | | |
| Price cents per lb., St. Louis | July 9 | 4.75 | 4.75 | 6.75 |
| U. S. Production (tons) | May | 37,510 | 38,035 | 55,012 |
| U. S. Shipments (tons) | May | 24,628 | 20,806 | 55,201 |
| Stocks (tons) U. S., as of | May | 148,120 | 135,238 | 13,774 |
| **SILK** | | | | |
| Price $ per lb. Japan xx crack | July 9 | 1.79-1.84 | 1.79-1.84 | 1.94-1.99 |
| Mill Dels. U. S. (bales), season to | May 31 | 348,988 | ...... | 447,959 |
| Mill Deliveries U. S. (bales) | May | 28,687 | 33,381 | 35,278 |
| Visible Stocks N. Y. (bales) | May 31 | 37,016 | 41,455 | 41,302 |
| Visible Stocks, World (bales) as of | May 31 | 135,616 | 130,955 | 140,802 |
| **RAYON (Yarn)** | | | | |
| Price cents per lb | July 9 | 49.0 | 49.0 | 63.0 |
| Deliveries (a) | May | 444 | 445 | 724 |
| All Rayon—Month's Supply | June 1 | 3.8 | 3.5 | 0.1 |
| **WOOL** | | | | |
| Price cents per lb., territory fine | July 9 | 66.0-68.0 | 64.0-66.0 | 1.01-1.03 |
| **HIDES** | | | | |
| Price cents per lb. Hvy. Native Chi. | July 9 | 10.0 | 10.0 | 16.50 |
| Visible Stocks (000's) (b) as of | June 1 | 13,843 | 14,052 | 15,443 |
| No. of Mos. Supply, as of | June 1 | 8.2 | 8.3 | 7.3 |
| **RUBBER** | | | | |
| Price cents per lb | July 9 | 15,125 | 15.25 | 19.50 |
| Imports, U. S.† | May | 27,410 | 30,807 | 50,840 |
| Consumption, U. S.† | May | 28,947 | 27,984 | 51,795 |
| Stocks, U. S., as of | May 31 | 299,720 | 301,439 | 175,273 |
| Tire Production (000's) | May | 2,842 | 2,705 | 5,352 |
| Tire Shipments (000's) | May | 3,372 | 3,199 | 5,375 |
| Tire Inventory (000's) as of | May | 9,855 | 10,317 | 12,592 |
| **COFFEE** | | | | |
| Price cents per lb. (c) | July 9 | 7.50 | 7.50 | 11.50 |
| Imports (bags 000's) | May | 1,137 | 1,208 | ...... |
| Imports, season to | May | 11,270 | ...... | 11,607 |
| U. S. Visible Supply (bags 000's) | June 1 | 1,299 | 1,333 | 1,390 |
| **SUGAR** | | | | |
| Price cents per lb. | | | | |
| Domestic No. 3 July | July 9 | 1.78 | 1.77 | 2.49 |
| Duty free delivered | July 9 | 2.71 | 2.68 | 3.50 |
| Refined (Immediate Shipment) | July 9 | 4.50 | 4.50 | 4.70 |
| U. S. Deliveries (000's)* | 1st 5 mos. | 2,249 | ...... | 2,775 |
| U. S. Ref. Stocks (000's)* as of | May 31 | 1,825 | ...... | 1,487 |

## PRESENT POSITION AND OUTLOOK

**Copper.** Although prices display firmness at 9¾ cents, the likelihood of a further rise at this time is questionable. Sales in the first week of July were more than three times the entire average monthly volume in the first five months. A substantial portion of recent sales were for fourth quarter delivery and unless consumer demand outruns the anticipated volume, it would appear that fabricators' requirements for the balance of the year have been substantially filled.

* * *

**Tin.** Unofficial reports from London reaffirm the intention of the Tin Committee to hold the price between £200 and £230. Domestic prices have held firm with late demand dull. Tin plate production continued to decline in June and for the first six months was probably less than 50% of the 1937 volume for the same period.

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**Lead.** June shipments have been estimated at 30,000 tons and are likely to be exceeded by the July figure. Although recent demand has tapered off from the early days of July, prices continue firm and could work somewhat higher with any renewal of buying interest.

* * *

**Zinc.** Stocks at the end of June were the largest on record. However with June production the lowest since September, 1934, the increase in stocks was smaller than in many months. Unfilled orders at the end of June were substantially larger than at the end of the previous month. Prices should hold unless the recent upturn encourages increased output on the part of mines now closed.

* * *

**Silk.** Sentiment in the trade has expressed itself in fairly active demand, accompanied by rising prices. Crop reports also aided prices. Estimated cocoon production indicates a possible decline of 13% in the current crop.

* * *

**Rayon.** A better statistical position is clearly in sight. Production has been cut, shipments probably gained moderately in June, and buyers, apparently taking their cue from cotton textiles, have been more active.

* * *

**Wool.** Demand has turned up, reflecting the reopening of several large clothing mills. Estimates of fall demand have been revised upward.

* * *

**Hides.** Visible stocks at the end of May were the lowest since 1921 and new supplies are likely to continue limited for the balance of the year. This strong statistical position has attracted a large speculative following. Leather prices were again advanced last week.

* * *

**Rubber.** Prices have risen 4 cents since the end of May. Any upturn in domestic consumption would strengthen prices further but production can be increased rapidly and quotas in the final quarter could be advanced to forestall a runaway in prices.

* * *

**Coffee.** Unconfirmed reports of a sharp decline in Sao Paulo crop have strengthened prices.

* * *

**Sugar.** Market has been firm, awaiting outcome of world sugar conference. Failure of conference might force Government to take steps to protect the domestic market.

(a)—Expressed in % (1923-25—100). (c)—Santos No. 4 N. Y. (e)—1937 Harvest. †—Long tons. *—Short tons. ★—Withheld pending adjustment for crop year-end.

# Money and Banking

| | Date | Latest Week | Previous Week | Year Ago |
|---|---|---|---|---|
| **INTEREST RATES** | | | | |
| Time Money (60-90 days) | July 9 | 1¼% | 1¼% | 1¼% |
| Prime Commercial Paper | July 9 | ¾% | 1% | 1% |
| Call Money | July 9 | 1% | 1% | 1% |
| Re-discount Rate, N. Y. | July 9 | 1% | 1% | 1½% |
| **CREDIT** (millions of $) | | | | |
| Bank Clearings (outside N. Y.) | June 25 | 2,136 | 2,448 | 2,579 |
| Cumulative year's total to | June 25 | 57,313 | ...... | 67,429 |
| Bank Clearings, N. Y. | June 25 | 2,912 | 4,048 | 3,473 |
| Cumulative year's total to | June 25 | 78,724 | ...... | 96,620 |
| **F. R. Member Banks** | | | | |
| Loans and Investments | June 29 | 20,561 | 20,572 | 22,290 |
| Commercial, Agr., Ind. Loans | June 29 | 3,936 | 3,916 | 4,331 |
| Brokers Loans | June 29 | 652 | 640 | 1,447 |
| Invest. in U. S. Gov'ts | June 29 | 7,770 | 7,782 | 8,301 |
| Invest. in Gov't Gtd. Securities | June 29 | 1,488 | 1,481 | 1,152 |
| Other Securities | June 29 | 2,982 | 3,030 | 3,087 |
| Demand Deposits | June 29 | 15,036 | 14,936 | 15,187 |
| Time Deposits | June 29 | 5,239 | 5,242 | 5,235 |
| **New York City Member Banks** | | | | |
| Total Loans and Invest. | July 6 | 7,494 | 7,552 | 8,417 |
| Comm'l, Ind. and Agr. Loans | July 6 | 1,463 | 1,504 | 1,721 |
| Invest. U. S. Gov'ts Dir. & Gtd | July 6 | 3,528 | 3,563 | 3,435 |
| Demand Deposits | July 6 | 6,115 | 6,277 | 6,011 |
| Time Deposits | July 6 | 655 | 655 | 742 |
| **Federal Reserve Banks** | | | | |
| Member Bank Reserve Balance | July 6 | 8,074 | 8,041 | 6,827 |
| Money in Circulation | July 6 | 6,514 | 6,428 | 6,524 |
| Gold Stock | July 6 | 12,967 | 12,962 | 12,376 |
| Treasury Currency | July 6 | 2,715 | 2,712 | 2,552 |
| Treasury Cash | July 6 | 2,303 | 2,299 | 3,511 |
| Excess Reserves | July 6 | 2,990 | 2,900 | 880 |

| **NEW FINANCING** (millions of $) | | Latest Month | Last Month | Year Ago |
|---|---|---|---|---|
| Corporate | June | 294.0 | $61.6 | 428.8 |
| New Capital | June | 199.0 | 35.9 | 274.1 |
| Refunding | June | 95.0 | 25.7 | 154.7 |
| Government | June | 1,673.2 | 236.0 | 1,153.1 |
| Refunding | June | 1,638.8 | 200.7 | 550.2 |
| Addition to Debt | June | 34.4 | 35.3 | 602.9 |

COMMENT

A modest but definite basis for optimism is provided by the latest bank statements. **Reporting Member Banks** in 101 cities for the week of June 29 showed an increase of $20,000,000 in commercial loans. This is the first time since last February that loans for the country as a whole have turned upward and the most recent gain is the largest since October 15, 1937. Nor is the significance of this development nullified by a decline of $41,000,000 in commercial loans revealed in the statement of **New York City Member Banks** for the week ended July 6. All but $1,500,000 of the decline was accounted for by the retirement of the U. S. Steel loan on July 1. Excluding the Steel loan, the decline in commercial loans on New York banks has been less than $10,000,000 in the last four weeks. It appears probable that the downward trend will be definitely reversed in the near future. Moreover, banks will soon have an opportunity to enlarge their earnings assets. Beginning July 27, the Treasury will sell $100,000,000 of bills weekly and retire only $50,000,000. At the present time the Treasury is selling $100,000,000 of bills and retiring $150,000,000. The RFC also will shortly offer $200,000,000 of notes. Excess reserves of all member banks continue to rise and are at the highest level since 1936. Pressure is being exerted by the Federal Reserve Board to induce banks to avail themselves of broader lending and investment opportunities or run the risk that the Government itself may increase its lending activities.

* * *

Corporate security flotations last month were the largest since June 1937. New capital financing, as distinguished from refunding operations, also showed the largest total since June 1937. New bond issues scheduled for July will approximate $300,000,000, a substantial portion of which will be for new capital, a highly encouraging sign.

## POSITION OF FOREIGN BANKS

| | July 6, 1938 | July 7, 1937 |
|---|---|---|
| **BANK OF ENGLAND** | | |
| Circulation | £488,231,000 | £494,425,000 |
| Public Deposits | 12,546,000 | 15,255,000 |
| Private Deposits | 151,652,000 | 125,696,000 |
| Bankers Accounts | 115,662,000 | 88,541,000 |
| Other Accounts | 35,989,000 | 37,155,000 |
| Government Securities | 111,891,000 | 96,625,000 |
| Other Securities | 31,113,000 | 29,468,000 |
| Discount and Advances | 10,711,000 | 9,035,000 |
| Securities | 20,402,000 | 20,433,000 |
| Reserves | 39,171,000 | 32,870,000 |
| Coin and Bullion | 327,402,000 | 327,295,000 |
| **BANK OF FRANCE** | July 1, 1938 | July 2, 1937 |
| Gold Holdings | Fr.55,808,000,000 | Fr.48,859,000,000 |
| Credit Balances Abroad | 786,000,000 | 17,000,000 |
| Bills on France | 5,496,000,000 | 9,766,000,000 |
| Wheat Office Bills | 176,000,000 | .......... |
| Advance Against Securities | 3,614,000,000 | 4,464,000,000 |
| Note Circulation | 102,087,000,000 | 88,686,000,000 |
| Credit Current Accounts | 16,014,000,000 | 14,117,000,000 |
| Temp. Advs. to State | 40,133,000,000 | 23,926,000,000 |
| Gold on Hand to Sight Liabilities | 47.25% | 47.53% |

COMMENT

Although major business indices in Great Britain have yet to reverse their downward trend, sentiment, bolstered by the upturn in security and commodity prices, is much more hopeful. In responsible quarters the opinion is held that the business slump in Great Britain was caused by the more severe decline in the United States and, therefore, any change for the better here will be reflected favorably in Britain's status. Construction is a bright spot, with figures for May showing a decline of ½% from the level of May 1937.

* * *

The fiscal status of France has shown marked improvement. Unfortunately, however, this improvement is not matched by the status of business and industry. Money rates are easy, tax receipts are up and savings bank deposits continue to rise. On the other hand, industrial activity, despite armament orders, continues to fade and living costs have risen substantially. Although the political situation in France is quiet, with Daladier apparently in firm control, failing business might precipitate another crisis this fall.

## POSITION OF FOREIGN BANKS—Continued

| GERMAN REICHSBANK | June 23, 1938 | June 23, 1937 |
|---|---|---|
| Gold and Bullion | Rm.70,773,000 | Rm.71,034,000 |
| Of Which Deposits Abroad | 20,333,000 | 24,537,000 |
| Reserve in Foreign Currency | 5,918,000 | 5,316,000 |
| Bills of Exchange & Checks | 5,204,724,000 | 4,009,157,000 |
| Investments | 845,722,000 | 530,294,000 |
| Other Assets | 1,239,816,000 | 592,998,000 |
| Notes in Circulation | 5,724,200,000 | 3,945,920,000 |
| Other Daily Matured Obligations | 1,029,534,000 | 738,956,000 |
| Other Liabilities | 260,705,000 | 186,247,000 |
| Proportion of Gold & Foreign Currency to Note Circulation | 1.33% | 1.93% |

The seriousness of internal problems in Germany is emphasized by the recent decree giving the government authority to fix wages for every type of employment and conscript German workmen for whatever task they may be needed. There is a serious shortage of skilled technical labor. Germany moreover is tightening its control over industry. Despite these drastic steps, the ability of Germany to maintain the recent industrial pace in the face of the increasingly serious shortage of raw materials is questionable.

| BANK OF CANADA | July 6, 1938 | July 7, 1937 |
|---|---|---|
| Reserve Gold, Coin & Bullion | $181,214,000 | $181,524,000 |
| Silver Bullion | .......... | 2,476,000 |
| Reserve in Sterl. & U. S. Dollars | 29,677,000 | 17,462,000 |
| Subsidiary Coin | 330,000 | 202,000 |
| Dom. & Prov. Gov't Short Term Securities | 113,581,000 | 31,987,000 |
| Other Dom. & Prov. Securities | 52,323,000 | 97,845,000 |
| Other Securities | 1,011,000 | 10,012,000 |
| Note Circulation | 156,533,000 | 135,801,000 |
| Deposits—Dom. Gov't | 22,076,000 | 12,333,000 |
| Chartered Banks | 190,444,000 | 183,887,000 |
| Res. to Note & Dep. Liabilities | 56.82% | 60.55% |

* * *

There are signs of an approaching reversal in the recent downtrend in Canadian business. June bank clearings were higher, late carloadings have turned up, wholesale and retail trade have improved, prices are firm and construction has taken a turn for the better. Meanwhile, the agricultural outlook this year remains the brightest spot in the Canadian prospect.

## FOREIGN EXCHANGE IN DOLLAR TERMS

| Quotations in cents and decimals of a cent except pound sterling which is in dollars and cents. | Demand July 7 | Demand Year Ago | Cables July 7 | Cables Year Ago |
|---|---|---|---|---|
| Country and Par | | | | |
| Great Britain ($8.2397 a sov.) | 4.93½ | 4.95¼ | 4.93½ | 4.95¼ |
| Belgium (16.9502c a belga) | 16.94 | 16.84¼ | 16.94 | 16.84¼ |
| Czechoslovakia (3.51c a crown) | 3.47⅛ | 3.49 | 3.47⅛ | 3.49 |
| Denmark (45.374c a krone) | 22.02½ | 22.11 | 22.02½ | 22.11 |
| Finland (4.264c a finmark) | 2.18⅝ | 2.19½ | 2.18⅝ | 2.19½ |
| France (par not definite) | 2.77½ | 3.86⅛ | 2.77½ | 3.86⅛ |
| Germany (40.33c a mark)** | 40.21 | 40.16 | 40.21 | 40.16 |
| Germany (benevolent mark) | 20.50 | ..... | 20.50 | ..... |
| Germany (travel mark) | 23.00 | 27.75 | 23.00 | 27.75 |
| Germany (emigrant mark) | 4.45 | ..... | 4.45 | ..... |
| Germany (kredit mark) | 5.05 | ..... | 5.05 | ..... |
| Greece (2.197c a drachma) | 0.90⅝ | 0.91 | 0.90¾ | 0.91⅛ |
| Holland (par not definite) | 55.11 | 54.98¾ | 55.11 | 54.98¾ |
| Hungary (29.613c a pengo) ¶ | 19.85 | 19.75 | 19.85 | 19.75 |
| Italy (5.2634c a lira)§ | 5.26¼ | 5.26¼ | 5.26¼ | 5.26¼ |
| Norway (45.374c a krone) | 24.79½ | 24.89 | 24.79½ | 24.89 |
| Poland (18.994c a zloty) | 18.87 | 18.97 | 18.87 | 18.97 |
| Portugal (7.483c an escudo) | 4.50½ | 4.50 | 4.50½ | 4.50 |
| Rumania (1.012c a leu) | 0.75 | 0.75 | 0.75 | 0.75 |
| Spain (Burgos peseta)† | 10.00 | 8.50 | 10.00 | 8.50 |
| Sweden (45.374c a krona) | 25.44 | 25.54 | 25.44 | 25.54 |
| Switzerland (par not definite) | 22.85 | 22.88¼ | 22.85 | 22.88¼ |
| Yugoslavia (2.981c a dinar) | 2.34½ | 2.33 | 2.34½ | 2.33 |
| Shanghai dollars (unsettled) | 18.12½ | 29.75 | 18.12½ | 29.75 |
| Hongkong dollars (unsettled) | 30.88 | 30.35 | 30.88 | 30.35 |
| India (61.798c a rupee) | 36.86 | 37.42 | 36.86 | 37.42 |
| Japan (84.39c a yen) | 28.78 | 28.77 | 28.78 | 28.77 |
| Sts. Settlements (96.139c a dollar) | 57.75 | 58.25 | 57.75 | 58.25 |
| Argentina (71.87c a paper peso) ¶ | 26.05 | 30.22 | 26.05 | 30.22 |
| Argentina (71.87c a paper peso)** | 32.90 | 33.03 | 32.90 | 33.03 |
| Brazil (20.25c a paper milreis)** | 5.85 | 6.66 | 5.85 | 6.66 |
| Chile (20.599c a gold peso)† | 5.19 | 5.19 | 5.19 | 5.19 |
| Colombia ($1.645 a gold peso)** | 56.26 | 56.90 | 56.26 | 56.90 |
| Mexico, peso (unsettled)† | 20.90 | 27.80 | 20.90 | 27.80 |
| Peru (47.409c a sol)† | 23.65 | 25.75 | 23.65 | 25.75 |
| Uruguay ($1.751 a gold peso) ¶ | 43.00 | 58.50 | 43.00 | 58.50 |
| Uruguay ($1.751 a gold peso)*† | 64.94 | 79.25 | 64.94 | 79.25 |
| Venezuela (32.67c a bolivar) ¶ | 31.62½ | 32.00 | 31.62½ | 32.00 |
| Venezuela (32.67c a bolivar)** | 31.62½ | ..... | 31.62½ | ..... |

### COMMENT

Pounds sterling during the past fortnight have declined from about $5 to about $4.94. The fact that during the period of this decline the British exchange control maintained a passive attitude has given rise to the belief that the pound will be permitted to drop to its former parity of about $4.86. It is no secret that British control officials have long held the pound to be overvalued at $5. Whether or not it is the intention to let the pound decline to $4.86 and then stabilize at that level, the recent weakness in sterling may be accounted for on more tangible grounds. For one thing, the slump in business throughout the world has curtailed Britain's export trade, with the result that the unfavorable balance of payments has become steadily poorer. Moreover, the fall months usually are the period of heaviest import payments. It might also be recalled that the demand for pounds as funds shifted from France and the United States under the stress of political uncertainties and rumors of devaluation, respectively, has practically ceased. In fact, with the recent upturn in security prices in the United States, there has been some movement of funds out of London. Traditionally, the British control fund acts only to control sharp fluctuations in the pound, refraining from interference with the normal movement of exchange. It is to be doubted, however, that the pound would be permitted to fall below $4.86, lest the normal dollar-pound relationship be disturbed to the point of renewing agitation for dollar devaluation.

* * *

As this is being written French francs have turned weak to the point of necessitating intervention of the French Stabilization Fund. Sudden weakness after a period of firmness was attributed to the latest bank statement disclosing an increase of 2,896,000,000 francs in the French note issue to the highest point in the history of the Bank.

†—Nominal quotations. ¶—Free rate. **—Official rate. §—Travel Lira 4.75c.

# Security Statistics

## THE MAGAZINE OF WALL STREET COMMON STOCK INDEX

| 1937 Indexes High | 1937 Indexes Low | No. of Issues (1925 Close—100) | 1938 Indexes High | Low | June 25 | July 2 | July 9 |
|---|---|---|---|---|---|---|---|
| 122.0 | 54.3 | 330 COMBINED AVERAGE | 65.9 | 44.2 | 59.3 | 64.2 | 64.9 |
| 253.3 | 111.4 | 5 Agricultural Implements | 130.9 | 88.5 | 122.5 | 127.9 | 120.9 |
| 72.6 | 34.0 | 6 Amusements | 41.4 | 24.7 | 34.9 | 37.3 | 36.8 |
| 146.6 | 52.1 | 16 Automobile Accessories | 70.6 | 43.1 | 59.1 | 66.0 | 67.5 |
| 30.1 | 8.9 | 12 Automobiles | 12.4 | 7.0 | 9.5 | 10.8 | 11.1 |
| 178.0 | 73.4 | 9 Aviation (1927 Cl.—100) | 118.0 | 75.2 | 106.8 | 110.2 | 118.0h |
| 28.5 | 9.3 | 3 Baking (1926 Cl.—100) | 13.4 | 8.9 | 12.1 | 12.5 | 13.4h |
| 308.6 | 135.4 | 3 Business Machines | 164.7 | 120.2 | 153.4 | 162.8 | 164.7h |
| 247.7 | 132.6 | 9 Chemicals | 157.7 | 111.6 | 146.7 | 153.0 | 151.5 |
| 88.3 | 32.9 | 18 Construction | 43.0 | 25.6 | 38.5 | 43.0 | 42.0 |
| 361.0 | 193.4 | 5 Containers | 235.1 | 173.8 | 223.9 | 234.4 | 235.1h |
| 217.3 | 75.3 | 9 Copper & Brass | 102.0 | 60.0 | 84.1 | 97.0 | 98.3 |
| 43.0 | 24.5 | 2 Dairy Products | 28.0 | 23.1 | 25.6 | 26.6 | 26.8 |
| 42.7 | 15.2 | 9 Department Stores | 22.8 | 12.2 | 19.0 | 21.7 | 22.8h |
| 108.8 | 45.2 | 9 Drugs & Toilet Articles | 55.0 | 40.1 | 50.2 | 52.9 | 54.0 |
| 388.4 | 182.6 | 2 Finance Companies | 233.9 | 158.1 | 105.2 | 232.2 | 233.9h |
| 71.9 | 37.5 | 7 Food Brands | 50.2 | 33.3 | 49.4 | 49.3 | 50.2h |
| 53.2 | 25.9 | 4 Food Stores | 30.2 | 20.5 | 24.4 | 27.2 | 26.2 |
| 122.3 | 46.4 | 4 Furniture & Floor Covering | 59.4 | 36.9 | 50.1 | 56.1 | 59.4h |
| 1160.6 | 894.0 | 3 Gold Mining | 1204.8 | 953.7 | 1111.8 | 1109.5 | 1110.6 |
| 58.6 | 25.8 | 6 Investment Trusts | 31.4 | 21.1 | 28.5 | 31.4h | 30.4 |
| 317.8 | 167.2 | 4 Liquor (1932 Cl.—100) | 194.2 | 140.7 | 156.6 | 183.6 | 171.7 |
| 209.8 | 97.8 | 9 Machinery | 116.0 | 77.6 | 106.4 | 116.0h | 112.5 |
| 104.3 | 53.8 | 2 Mail Order | 73.8 | 49.1 | 66.8 | 73.8h | 71.8 |
| 109.6 | 47.5 | 4 Meat Packing | 55.3 | 36.5 | 46.3 | 52.0 | 50.2 |
| 334.1 | 138.6 | 15 Metals, non-Ferrous | 177.9 | 116.0 | 159.5 | 172.0 | 169.1 |
| 26.5 | 7.4 | 2 Paper | 11.1 | 5.8 | 8.6 | 9.7 | 11.1h |
| 158.8 | 90.8 | 23 Petroleum | 106.5 | 76.2 | 98.1 | 106.5h | 106.4 |
| 114.9 | 50.5 | 18 Public Utilities | 60.1 | 38.8 | 53.6 | 60.1h | 57.8 |
| 31.7 | 13.3 | 4 Radio (1927 Cl.—100) | 17.6 | 10.3 | 14.5 | 16.6 | 17.6h |
| 112.9 | 37.7 | 9 Railroad Equipment | 48.3 | 28.2 | 41.1 | 43.7 | 43.6 |
| 48.6 | 16.2 | 23 Railroads | 18.6 | 10.6 | 14.2 | 16.1 | 16.7 |
| 28.5 | 6.9 | 3 Realty | 9.5 | 4.7 | 8.1 | 9.5h | 8.1 |
| 87.6 | 34.9 | 3 Shipbuilding | 62.6 | 36.1 | 50.2 | 54.9 | 53.0 |
| 165.6 | 69.6 | 13 Steel & Iron | 85.8 | 55.2 | 77.4 | 81.2 | 77.4 |
| 45.2 | 21.6 | 6 Sugar | 25.7 | 17.4 | 21.1 | 22.3 | 21.9 |
| 171.2 | 118.6 | 2 Sulphur | 153.8 | 118.6 | 146.6 | 153.8h | 150.5 |
| 85.3 | 43.2 | 3 Telephone & Telegraph | 57.4 | 37.6 | 53.0 | 57.4h | 57.0 |
| 91.8 | 35.3 | 7 Textiles | 42.9 | 27.9 | 37.6 | 41.9 | 42.0 |
| 29.2 | 10.7 | 4 Tires & Rubber | 14.9 | 10.0 | 13.0 | 14.9h | 14.4 |
| 99.4 | 68.3 | 4 Tobacco | 77.2 | 63.8 | 75.8 | 77.2h | 76.9 |
| 71.9 | 20.6 | 5 Traction | 31.2 | 15.6 | 24.7 | 27.0 | 29.7 |
| 346.8 | 157.7 | 4 Variety Stores | 216.5 | 146.0 | 186.6 | 198.2 | 216.5h |
| ..... | ..... | 22 Unclassified (1937 Cl.—100) | 122.6 | 84.7 | 108.6 | 120.6 | 122.6h |

h—New HIGH this year.

## DAILY INDEX OF SECURITIES

| | N. Y. Times 40 Bonds | Dow-Jones Avgs. 30 Indus. | Dow-Jones Avgs. 20 Rails | N. Y. Times —50 Stocks— High | N. Y. Times —50 Stocks— Low | Sales |
|---|---|---|---|---|---|---|
| Monday, June 27 | 67.44 | 130.48 | 25.00 | 94.33 | 91.76 | 2,105,840 |
| Tuesday, June 28 | 67.32 | 130.38 | 24.57 | 93.23 | 91.43 | 1,289,720 |
| Wednesday, June 29 | 68.41 | 135.87 | 26.18 | 96.49 | 91.95 | 2,658,690 |
| Thursday, June 30 | 68.53 | 133.88 | 26.02 | 97.67 | 94.28 | 2,581,350 |
| Friday, July 1 | 68.99 | 136.53 | 26.69 | 96.99 | 94.44 | 2,024,820 |
| Saturday July 2 | 69.41 | 138.53 | 27.57 | 98.75 | 97.04 | 1,472,420 |
| Monday, July 4 | | | HOLIDAY | | | |
| Tuesday, July 5 | 69.45 | 136.52 | 27.21 | 98.26 | 95.74 | 1,694,840 |
| Wednesday, July 6 | 69.66 | 137.78 | 27.59 | 97.78 | 95.41 | 1,817,190 |
| Thursday, July 7 | 69.93 | 137.45 | 27.93 | 99.10 | 96.50 | 2,775,420 |
| Friday, July 8 | 69.89 | 135.66 | 27.20 | 96.62 | 94.79 | 1,566,670 |
| Saturday, July 9 | 69.95 | 136.20 | 27.31 | 96.31 | 95.30 | 592,300 |

## STOCK MARKET VOLUME

| Week Ended July 9 | Week Ended July 2 | Week Ended June 25 |
|---|---|---|
| 8,446,420 | 12,132,840 | 10,112,640 |
| Total Transactions Year to July 9 | Same Date 1937 | Same Date 1936 |
| 129,105,058 | 235,375,212 | 270,347,660 |

## COMMENTS

Advancing for three consecutive weeks, our Combined Average of 330 active common stocks has recovered to within a point of the best Saturday closing level since Jan. 15. That the market is losing momentum, however, may be seen from the circumstance that the first week's spectacular gain reached the all-time record proportions of 10.6 points, whereas the second week added only 4.9 points to that recovery, while the third week ended July 9 witnessed a further rise of only 0.7 point.

* * *

During the past fortnight no less than 22 of the 42 component groups (exclusive of the Unclassified group) established new highs for the year. Arranged in descending order of technical strength, as measured by the "bench mark" method, these were Aviation, Food Brands, Furniture, and Sulphur, which rose to the highest level since Sept. 4; Telephone & Telegraph, which reached the best level since Sept. 11; Baking, highest since Sept. 18; Construction, Mail Order, Tobacco and Variety Stores, best since Oct. 2; Department Stores and Petroleum, highest since Oct. 9; Business Machines, Finance Cos., Radio and Tires, best since Oct. 30; Investment Trusts, Machinery and Paper, highest since Nov. 13; Public Utilities and Realty, best since Dec. 4. (Owing to a revision of the Container group on Jan. 1st, no bench marks for that group are available prior to the current year.)

* * *

It is extremely interesting to observe that all of the foregoing technically strong groups have been doing better than the market as a whole for various purely economic reasons peculiar to each group. Inclusion of such groups as Food Brands, Baking, Public Utilities and Variety Stores; and absence of the several metal groups from the list of best performers, shows that inflationary fear is not the only motivating force behind the rise.

* * *

Groups displaying less than average strength during the past fortnight, arranged in order of diminishing weakness, include Sugar, which could not rally even to the Mar. 12 bench mark; Food Stores, Liquor and Railroad Equipment, which failed to reach the Feb. 26 bench mark; Meat Packing and Shipbuilding, which fell short of their Feb. 19 bench marks; and, the least weak of technically weak groups—Amusements, Automobiles, Chemicals, Dairy Products and Railroads, which reached the best levels since Jan. 22.

# New York Stock Exchange Price Range of Active Stocks

## Rails

| | 1936 High | 1936 Low | 1937 High | 1937 Low | 1938 High | 1938 Low | Last Sale 7/7/38 | Div'd $ Per Share |
|---|---|---|---|---|---|---|---|---|
| **A** | | | | | | | | |
| Atchison | 88½ | 59 | 94¾ | 32⅞ | 42 | 22¼ | 37¾ | .... |
| Atlantic Coast Line | 49 | 21⅝ | 55½ | 18 | 27⅜ | 14 | 22⅝ | ‡1.50 |
| **B** | | | | | | | | |
| Baltimore & Ohio | 26½ | 15⅞ | 40½ | 8⅛ | 11 | 4 | 10⅝ | .... |
| Bangor & Aroostook | 49½ | 39 | 45 | 30 | 34¾ | 29 | 34¾ | 2.50 |
| **C** | | | | | | | | |
| Canadian Pacific | 16 | 10⅞ | 17½ | 6⅞ | 8⅛ | 5 | 7⅜ | .... |
| Chesapeake Corp. | 100 | 59 | 90½ | 40 | 48⅛ | 27⅛ | 40 | †1.85 |
| Chesapeake & Ohio | 77¾ | 51 | 68⅞ | 31 | 38½ | 22 | 31¼ | †1.75 |
| Chicago Gt. Western Pfd | 14⅝ | 4 | 18¼ | 3 | 1¼ | ½ | ⅞ | .... |
| C. M. & St. Paul & Pacific | 2⅞ | 1½ | 3¼ | ⅝ | 1 | ½ | ⅝ | .... |
| C. M. & St. Paul & Pacific Pfd | 5⅞ | 2⅞ | 7¼ | 1⅛ | 1⅞ | ¾ | 1⅝ | .... |
| Chicago & North Western | 4⅞ | 2½ | 6⅜ | ⅞ | 1¾ | ¾ | 1½ | .... |
| Chicago, Rock Is. & Pacific | 3 | 1½ | 3⅝ | ¾ | 1¼ | ⅝ | 1⅛ | .... |
| **D** | | | | | | | | |
| Delaware & Hudson | 54¾ | 36¾ | 58⅜ | 13 | 17⅞ | 7½ | 15¼ | .... |
| Delaware, Lack. & West | 23⅛ | 14⅞ | 24½ | 5 | 8½ | 4 | 7⅜ | .... |
| **E** | | | | | | | | |
| Erie R. R. | 18¼ | 11 | 23⅝ | 4¼ | 6¼ | 1¾ | 3½ | .... |
| **G** | | | | | | | | |
| Great Northern Pfd. | 46⅜ | 32¼ | 56¾ | 20½ | 26¼ | 12⅜ | 21½ | .... |
| **I** | | | | | | | | |
| Illinois Central | 29½ | 18⅝ | 38 | 8 | 12¼ | 6⅛ | 11⅝ | .... |
| **K** | | | | | | | | |
| Kansas City Southern | 26 | 13 | 29 | 5 | 10⅞ | 5⅛ | 10¼ | .... |
| **L** | | | | | | | | |
| Lehigh Valley | 22 | 8½ | 24⅝ | 4¼ | 6¾ | 3 | 6¼ | .... |
| Louisville & Nashville | 102⅜ | 57½ | 99 | 48½ | 56½ | 29⅞ | 46 | †2.50 |
| **M** | | | | | | | | |
| Mo., Kansas & Texas | 9⅝ | 5½ | 9¾ | 2 | 3⅜ | 1½ | 3 | .... |
| Mo., Kansas & Texas Pfd., A | 33⅜ | 14½ | 34⅝ | 5⅛ | 11⅛ | 4¾ | 9⅞ | .... |
| Missouri Pacific | 4 | 2⅛ | 6¼ | 1¼ | 2⅜ | ¾ | 1½ | .... |
| **N** | | | | | | | | |
| New York Central | 49⅝ | 27¾ | 55¼ | 15⅛ | 19⅞ | 10 | 18⅜ | .... |
| N. Y., Chic. & St. Louis | 53⅛ | 17¾ | 72 | 14 | 22½ | 7 | 17¾ | .... |
| N. Y., N. H. & Hartford | 6⅛ | 3 | 9¾ | 2 | 2¾ | 1⅛ | 2½ | .... |
| Norfolk & Western | 310½ | 210 | 272 | 180 | 198 | 133 | 161½ | *10.00 |
| Northern Pacific | 36¾ | 23⅞ | 36⅝ | 9⅞ | 13⅜ | 6⅜ | 11⅝ | .... |
| **P** | | | | | | | | |
| Pennsylvania | 45 | 28¼ | 50¼ | 20 | 24½ | 14⅛ | 22 | .... |
| **R** | | | | | | | | |
| Reading | 50¾ | 35½ | 47 | 18⅛ | 22 | 10⅜ | 16¼ | †1.25 |
| **S** | | | | | | | | |
| St. Louis-San Fran | 3⅝ | 1⅛ | 4¾ | 1¼ | 1¼ | ⅝ | 1⅛ | .... |
| Southern Pacific | 47⅞ | 23½ | 65⅜ | 17 | 22⅛ | 9¼ | 17 | .... |
| Southern Railway | 26½ | 12¾ | 43⅜ | 9 | 13¾ | 5½ | 13⅛ | .... |
| **T** | | | | | | | | |
| Texas & Pacific | 49 | 28 | 54¼ | 15⅝ | 24½ | 13 | 22¾ | .... |
| **U** | | | | | | | | |
| Union Pacific | 149¾ | 108½ | 148¾ | 80 | 88½ | 55⅜ | 80 | †4.50 |
| **W** | | | | | | | | |
| Western Maryland | 12⅛ | 8⅛ | 11¾ | 2⅝ | 4½ | 2⅝ | 4¼ | .... |
| Western Pacific | 4 | 1⅞ | 4¾ | 1 | 1⅝ | ½ | 1¼ | .... |

## Industrials and Miscellaneous

| | 1936 High | 1936 Low | 1937 High | 1937 Low | 1938 High | 1938 Low | Last Sale 7/7/38 | Div'd $ Per Share |
|---|---|---|---|---|---|---|---|---|
| **A** | | | | | | | | |
| Air Reduction | 86½ | 58 | 80¼ | 44½ | 63½ | 40 | 60¾ | *1.00 |
| Alaska Juneau | 17½ | 13 | 15¾ | 8 | 13⅜ | 8¾ | 9⅞ | * .60 |
| Allegheny Steel | 40⅜ | 26⅞ | 45⅝ | 13 | 21¾ | 11⅝ | 19 | .... |
| Allied Chemical & Dye | 245 | 157 | 258½ | 145 | 176½ | 124 | 176 | 6.00 |
| Allied Stores | 20⅛ | 6¾ | 21⅞ | 6⅛ | 9⅝ | 4½ | 9⅝ | .... |
| Allis Chalmers Mfg | 81 | 35⅜ | 83½ | 34 | 51¾ | 34¼ | 48⅝ | † .75 |
| Amerada | 125½ | 75 | 114⅞ | 51½ | 76¼ | 55 | 74⅞ | 2.00 |
| Amer. Agric. Chemical (Del.) | 89 | 49 | 101½ | 53½ | 66 | 49 | 65 | †2.25 |
| Amer. Bank Note | 55½ | 36 | 41⅜ | 10 | 21¼ | 10 | 20¾ | † .60 |
| Amer. Brake Shoe & Fdy | 70¼ | 40 | 80¾ | 28 | 42½ | 23¼ | 39¾ | † .50 |
| Amer. Can | 137½ | 110 | 121 | 96 | 101 | 70¾ | 100 | 4.00 |
| Amer. Car & Fdy. | 60½ | 30 | 71 | 15¼ | 27½ | 12⅝ | 25⅞ | .... |
| Amer. & Foreign Power | 9¾ | 6½ | 13¾ | 2½ | 5¼ | 2¼ | 5 | .... |
| Amer. Power & Light | 14⅜ | 7½ | 16½ | 3 | 7⅛ | 3¼ | 6½ | .... |
| Amer. Radiator & S. S. | 27⅜ | 18¾ | 29½ | 9¼ | 15¾ | 9 | 15 | .... |
| Amer. Rolling Mill | 37 | 23¾ | 45¼ | 15½ | 22⅞ | 13⅛ | 20⅜ | .... |
| Amer. Smelting & Refining | 103 | 56¾ | 105¾ | 41 | 56¾ | 28⅛ | 32½ | *2.00 |
| Amer. Steel Foundries | 64 | 20½ | 73¼ | 22½ | 34¾ | 15⅝ | 27¼ | .... |
| Amer. Sugar Refining | 63⅝ | 48¼ | 56⅞ | 24 | 31 | 21½ | 27½ | †1.25 |
| Amer. Tel. & Tel. | 190⅛ | 149½ | 187 | 140 | 149¾ | 111 | 142 | 9.00 |
| Amer. Tob. B | 104 | 88½ | 99⅞ | 58¾ | 81⅛ | 58¾ | 80½ | 5.00 |
| Amer. Water Works & Elec. | 27¾ | 19⅛ | 29½ | 8 | 13½ | 6 | 12⅜ | .... |
| Amer. Woolen Pfd. | 70¾ | 52¾ | 79 | 25¼ | 43 | 23⅝ | 38¾ | .... |
| Anaconda Copper Mining | 55⅜ | 28 | 69½ | 24½ | 36¾ | 21 | 35⅛ | .... |
| Armour Co. of Ill. | 7⅜ | 4⅝ | 13¾ | 4⅝ | 6⅞ | 3⅞ | 5⅞ | .... |
| Atlantic Refining | 35⅛ | 26⅝ | 37 | 18 | 25⅝ | 17¾ | 24 | 1.00 |
| Aviation Corp. Del. | 7¾ | 4⅝ | 9¼ | 2¼ | 4⅝ | 2½ | 4½ | † .18½ |
| **B** | | | | | | | | |
| Baldwin Loco. Works | .... | .... | 23¾ | 5 | 10¾ | 5 | 9½ | .... |
| Barber Co. | 38½ | 21 | 43⅜ | 10⅛ | 21⅜ | 12⅛ | 20⅜ | .... |
| Barnsdall Oil | 28¼ | 14⅛ | 35¼ | 10 | 19 | 10⅛ | 18¾ | 1.00 |
| Bendix Aviation | 32⅜ | 21⅝ | 30½ | 8¼ | 15¾ | 8⅝ | 15⅛ | .... |
| Best & Co. | 72 | 48 | 62¾ | 29 | 43⅜ | 26⅞ | 43⅜ | †1.52½ |
| Bethlehem Steel | 77¾ | 45¾ | 105½ | 41 | 65⅞ | 39¾ | 60¼ | .... |

# New York Stock Exchange

## Industrials and Miscellaneous (Continued)

| | 1936 | | 1937 | | 1938 | | Last Sale | Div'd $ Per |
|---|---|---|---|---|---|---|---|---|
| | High | Low | High | Low | High | Low | 7/7/38 | Share |
| **B** | | | | | | | | |
| Black & Decker | 34½ | 28¾ | 38 | 13¼ | 17⅞ | 9¾ | 16¾ | .... |
| Boeing Airplane | 37⅜ | 16⅞ | 49¾ | 16 | 35½ | 20⅛ | 29⅜ | .... |
| Borden Co. | 32⅜ | 25⅝ | 28 | 16 | 19⅝ | 15 | 17⅜ | † .70 |
| Borg Warner | .... | .... | 50⅝ | 22¾ | 31½ | 16½ | 29⅝ | .... |
| Bridgeport Brass | 18⅞ | 12⅛ | 23¼ | 7 | 11⅜ | 5⅜ | 11 | .... |
| Briggs Mfg. | 64⅞ | 43¼ | 59⅞ | 18 | 27⅛ | 12¾ | 26 | † .25 |
| Brooklyn-Manhattan Transit | 58¼ | 40¼ | 53 | 7 | 13⅜ | 5⅜ | 11¼ | .... |
| Bucyrus Erie | 21¾ | 8⅞ | 25¼ | 6½ | 12 | 5⅞ | 11¾ | .... |
| Budd Mfg. | 15⅞ | 9⅛ | 14⅜ | 2¼ | 6⅜ | 3¼ | 5⅞ | .... |
| Byers & Co. (A. M.) | 29⅛ | 16½ | 33¾ | 6 | 12½ | 6 | 12⅛ | .... |
| **C** | | | | | | | | |
| Calumet & Hecla | 16½ | 6 | 20⅛ | 4 | 10¼ | 5¼ | 9¼ | .... |
| Canada Dry Ginger Ale | 30¾ | 10⅜ | 58¼ | 9½ | 20¼ | 12⅛ | 19⅝ | .... |
| Case, J. L. | 186 | 92½ | 191¾ | 80 | 98¾ | 62½ | 95½ | .... |
| Caterpillar Tractor | 91 | 54¾ | 100 | 40 | 56½ | 29⅝ | 56 | †1.00 |
| Celanese Corp | 32¼ | 21¾ | 41¼ | 13 | 18⅞ | 9 | 17⅝ | .... |
| Cerro de Pasco Copper | 74 | 47¾ | 86⅜ | 34¾ | 47⅛ | 26¼ | 45½ | †3.00 |
| Chrysler Corp | 138¾ | 85½ | 135¼ | 46⅛ | 69¼ | 35⅜ | 67 | † .50 |
| Climax Molybdenum | .... | .... | 41 | 24½ | 45⅝ | 32½ | 42 | † .60 |
| Coca-Cola Co | 134 | 84 | 170½ | 93¾ | 140 | 105½ | 138 | †1.00 |
| Columbian Carbon | 136½ | 94 | 125¾ | 65 | 91¼ | 53¾ | 90 | 4.00 |
| Colum. Gas & Elec. | 23⅜ | 14 | 20⅞ | 4⅝ | 79 | 57 | 68 | 6.00 |
| Commercial Credit | 84⅞ | 44 | 69¼ | 30⅜ | 43½ | 23 | 43½ | 4.00 |
| Comm. Inv. Trust | 91¾ | 55 | 80¼ | 34 | 47 | 31½ | 46½ | 4.00 |
| Commercial Solvents | 24⅝ | 14¼ | 21¼ | 5 | 10 | 5⅞ | 8⅞ | .... |
| Commonwealth & Southern | 5½ | 2¼ | 4⅛ | 1 | 2 | 1 | 1⅝ | .... |
| Consolidated Edison Co. | 48⅜ | 27¼ | 49⅞ | 21⅛ | 30¼ | 17 | 29⅝ | †1.00 |
| Consol. Oil | 17¼ | 11½ | 17⅞ | 7 | 10½ | 7 | 10⅛ | .80 |
| Container Corp | 26¼ | 15¾ | 37⅜ | 10¾ | 17⅜ | 9¾ | 17 | .... |
| Continental Baking, A | 35⅜ | 10⅜ | 37¾ | 7½ | 19⅞ | 8⅝ | 18¾ | .... |
| Continental Can | 87¼ | 63¾ | 69⅛ | 37½ | 49 | 36½ | 46⅝ | †1.00 |
| Continental Oil | 44⅞ | 28⅛ | 49 | 24 | 34⅜ | 21¼ | 32⅝ | † .50 |
| Corn Products Refining | 82½ | 63⅝ | 71¼ | 50½ | 69 | 53 | 67 | 3.00 |
| Crane Co. | 50½ | 24 | 56½ | 22½ | 34¾ | 19 | 32¼ | .... |
| Crown Cork & Seal | 91½ | 43⅝ | 100⅞ | 28¼ | 39⅞ | 22¼ | 35¼ | .... |
| Curtiss-Wright | 9¼ | 4 | 8⅜ | 2 | 5¼ | 3¼ | 5⅛ | .... |
| Curtiss-Wright, A | 21⅞ | 10½ | 23¾ | 8⅛ | 21⅛ | 12⅝ | 21 | .... |
| Cutler-Hammer | .... | .... | 27 | 18¼ | 26⅞ | 13¼ | 26 | .... |
| **D** | | | | | | | | |
| Deere & Co. | .... | .... | 27 | 19½ | 25¼ | 13¾ | 21¼ | .... |
| Distillers Corp. Seagrams | 34⅝ | 18¼ | 29 | 10 | 16 | 11 | 14½ | †1.00 |
| Dome Mines | 61½ | 41½ | 57¼ | 35 | 29⅜ | 27⅛ | 28½ | † .50 |
| Douglas Aircraft | 82¼ | 50⅝ | 77¼ | 26½ | 51 | 31 | 50 | .... |
| du Pont de Nemours | 84¾ | 133 | 180⅛ | 98 | 123⅜ | 90½ | 118⅛ | †1.00 |
| **E** | | | | | | | | |
| Eastman Kodak | 185 | 156 | 198 | 144 | 174 | 121½ | 171 | 6.00 |
| Electric Auto Lite | 47½ | 30¾ | 45½ | 14⅞ | 22⅝ | 13¼ | 21¼ | † .25 |
| Elec. Power & Light | 25⅞ | 6⅜ | 26⅝ | 6⅛ | 13⅝ | 6⅛ | 12¾ | .... |
| Endicott Johnson Corp | 69 | 53½ | 60 | 33 | 41 | 33 | 40½ | .... |
| **F** | | | | | | | | |
| Fairbanks, Morse | 71¾ | 34¾ | 71⅞ | 23½ | 34 | 19½ | 32½ | .... |
| Firestone Tire & Rubber | 36¼ | 24⅞ | 41⅜ | 16½ | 25⅛ | 16¼ | 22 | †1.00 |
| First National Stores | 58⅝ | 40 | 52¼ | 26½ | 34⅞ | 24½ | 29½ | †1.87½ |
| Foster Wheeler | 45⅜ | 24⅛ | 54½ | 11½ | 20½ | 11 | 18⅜ | .... |
| Freeport Sulphur | 35⅝ | 23½ | 32¼ | 18 | 29¼ | 19⅞ | 28⅜ | 2.00 |
| **G** | | | | | | | | |
| General Amer. Transpt | 76 | 42¼ | 86½ | 31½ | 48 | 29 | 46 | †1.12½ |
| General Baking | 20 | 10¾ | 19½ | 5 | 9½ | 6½ | 9⅛ | .40 |
| General Electric | 55 | 34½ | 64⅞ | 34 | 45½ | 27¼ | 41¼ | † .50 |
| General Foods | 44 | 33⅜ | 44¼ | 28⅛ | 34⅞ | 22⅞ | 33⅞ | 2.00 |
| General Motors | 77 | 53⅞ | 70½ | 28⅝ | 40 | 25½ | 38¾ | ‡ .50 |
| General Railway Signal | 57 | 32½ | 65⅛ | 17 | 26½ | 12¾ | 21½ | .... |
| Gen. Realty & Utility | 4⅞ | 2 | 5¾ | 1 | 2 | 1 | 1¾ | .... |
| General Refractories | 71 | 33¼ | 70¼ | 18 | 31½ | 15⅛ | 31⅛ | .... |
| Glidden | 55¼ | 39½ | 51½ | 19⅛ | 27¼ | 13 | 23 | .... |
| Goodrich Co. (B. F.) | 35½ | 13⅝ | 50½ | 12¾ | 19¼ | 10 | 18⅛ | .... |
| Goodyear Tire & Rubber | 31⅞ | 21⅝ | 47⅜ | 16⅛ | 24⅞ | 15⅛ | 24 | .... |
| **H** | | | | | | | | |
| Hecker Products | 21⅜ | 12⅝ | 15⅞ | 5⅝ | 8⅛ | 5½ | 8 | .60 |
| Hercules Powder | .... | .... | 64 | 50 | 58 | 42¾ | 54¾ | † .65 |
| Houston Oil | 13⅞ | 6⅜ | 17⅝ | 4¾ | 9⅛ | 5 | 9⅛ | .... |
| Hudson Motor Car | 22⅝ | 13½ | 23¼ | 4 | 10 | 5 | 8¾ | .... |
| **I** | | | | | | | | |
| Industrial Rayon | 41⅜ | 25⅝ | 47½ | 15 | 22⅞ | 14⅜ | 21 | .... |
| Inspiration Copper | 24¼ | 6⅛ | 33⅛ | 6¼ | 16⅜ | 7⅛ | 15¾ | .... |
| Interborough Rapid Transit | 18⅞ | 10⅞ | 13¾ | 1½ | 6¾ | 2⅞ | 5⅜ | .... |
| Inter. Business Machines | 194 | 160 | 189 | 127½ | 159 | 130 | 159 | *6.00 |
| Inter. Harvester | 105½ | 56⅝ | 120 | 53½ | 70 | 48 | 65 | †1.75 |
| Inter. Nickel | 66⅜ | 43¼ | 73⅜ | 37 | 52¾ | 36⅞ | 50½ | †1.00 |
| Inter. Tel. & Tel. | 19¼ | 11⅛ | 15⅞ | 4 | 10¾ | 5½ | 10½ | .... |
| **J** | | | | | | | | |
| Johns-Manville | 152 | 88 | 155 | 65½ | 97 | 58 | 92⅝ | .... |
| **K** | | | | | | | | |
| Kennecott Copper | 63⅜ | 28¼ | 69⅜ | 28¼ | 43⅜ | 26⅜ | 41¾ | † .50 |
| **L** | | | | | | | | |
| Lambert | 26¾ | 15⅞ | 24 | 10⅛ | 14 | 8½ | 13⅞ | †1.12½ |
| Lehman Corp | .... | .... | 43½ | 22¾ | 28½ | 19⅜ | 28¼ | † .70 |
| Libbey-Owens-Ford | 80¼ | 47¼ | 79 | 33⅝ | 42 | 23¼ | 41 | † .50 |
| Liggett & Myers Tob., B | 116½ | 97¾ | 114 | 83½ | 100 | 81 | 96¾ | *4.00 |
| Loew's, Inc. | 67⅛ | 43 | 87⅞ | 43⅝ | 53 | 33 | 52¼ | †1.00 |
| Lone Star Cement | 61⅞ | 35½ | 75¼ | 31½ | 54½ | 26 | 52¾ | 3.00 |
| Lorillard | 26½ | 21⅛ | 28⅝ | 15⅜ | 18 | 13¾ | 17⅝ | 1.20 |
| **M** | | | | | | | | |
| Mack Truck | 49¼ | 27⅜ | 62¼ | 17⅜ | 25¼ | 16 | 24½ | .... |
| Macy (R. H.) | 65¼ | 40⅛ | 58¼ | 25 | 40½ | 24⅞ | 39¼ | 2.00 |
| Marshall Field | 25⅛ | 11⅛ | 30⅞ | 7¼ | 12⅛ | 5½ | 12 | .... |
| Martin (Glenn L.) Co. | .... | .... | 29¼ | 10 | 25⅜ | 14⅛ | 24½ | .... |
| Masonite, Corp | 64½ | 44 | 74 | 20 | 44¾ | 25 | 43 | 1.00 |
| Mathieson Alkali | 42⅜ | 27½ | 41¾ | 22 | 27½ | 19¾ | 27½ | 1.50 |
| McIntyre Porcupine | 49⅜ | 38⅛ | 42½ | 30⅛ | 45⅛ | 35½ | 42⅛ | 2.00 |
| McKeesport Tin Plate | .... | .... | 42½ | 18½ | 26⅛ | 13⅛ | 19⅜ | .... |

# Price Range of Active Stocks

## Industrials and Miscellaneous (Continued)

| | 1936 High | 1936 Low | 1937 High | 1937 Low | 1938 High | 1938 Low | Last Sale 7/7/38 | Div'd $ Per Share |
|---|---|---|---|---|---|---|---|---|
| **M** | | | | | | | | |
| McKesson & Robbins | 14¾ | 8⅝ | 16¼ | 5⅜ | 8¼ | 5⅜ | 7 | .... |
| Mesta Machine | 65 | 40⅝ | 72¼ | 33¾ | 43½ | 26¾ | 42½ | †2.50 |
| Minn. Honeywell | 112 | 65 | 120 | 53 | 86 | 46½ | 83 | †1.25 |
| Minn. Moline Power | 12⅜ | 6½ | 16⅛ | 4⅜ | 7¾ | 4 | 7 | .... |
| Monsanto Chemical | 103 | 79 | 107½ | 71 | 94½ | 67 | 91 | 2.00 |
| Mont. Ward & Co. | 89 | 35¾ | 69 | 30 | 45 | 25 | 43⅜ | †1.25 |
| Murray Corp. | 22¾ | 14 | 20¾ | 3 | 8⅝ | 4 | 8¼ | .... |
| **N** | | | | | | | | |
| Nash Kelvinator | .... | .... | 24⅝ | 5 | 12½ | 6¾ | 9¾ | .... |
| National Biscuit | 38¾ | 28¾ | 33⅜ | 17 | 25¼ | 15½ | 23¾ | †1.20 |
| National Cash Register | 32⅝ | 21½ | 38⅞ | 13 | 20⅞ | 12½ | 20½ | † .75 |
| National Dairy Prod | 28¼ | 21 | 26⅛ | 12 | 16 | 11⅞ | 16 | 1.20 |
| National Distillers | 33⅜ | 25⅝ | 35 | 17 | 23⅝ | 17¼ | 22½ | 2.00 |
| National Lead | 36½ | 26⅜ | 44 | 18 | 31 | 17⅛ | 29¼ | .50 |
| National Power & Light | 14⅞ | 9⅝ | 14¾ | 5 | 8⅜ | 5 | 7⅞ | .60 |
| National Steel | 78 | 57¼ | 99¼ | 55 | 66½ | 44¾ | 60¾ | † .50 |
| N. Y. Air Brake | 83 | 32½ | 98½ | 29 | 39 | 20 | 33¾ | .... |
| Newport Industries | 40 | 9 | 41¾ | 10⅛ | 19¼ | 9⅞ | 16½ | .... |
| North American | 35½ | 23⅛ | 34⅞ | 14⅛ | 24⅛ | 13¾ | 23 | † .60 |
| North Amer. Aviation | 14¼ | 6⅝ | 17⅜ | 3 | 10½ | 5⅞ | 10⅜ | .... |
| **O** | | | | | | | | |
| Otis Steel | 20¾ | 12½ | 24⅜ | 6⅛ | 12 | 6⅜ | 10⅞ | .... |
| Owens-Ill. Glass | .... | .... | 103¾ | 51¼ | 70⅛ | 40 | 68 | † .50 |
| **P** | | | | | | | | |
| Pacific Gas & Electric | 41 | 30¾ | 38 | 22 | 29¾ | 22¾ | 29 | 2.00 |
| Packard Motor Car | 13⅜ | 6⅞ | 12⅜ | 4 | 5⅞ | 3¼ | 5½ | .... |
| Paramount Pictures | 25 | 7⅛ | 28¾ | 8½ | 12⅞ | 5¾ | 11⅞ | .... |
| Penney (J. C.) | 112½ | 69 | 103¾ | 57½ | 82 | 55 | 80 | †1.75 |
| Phelps Dodge | 56¾ | 25⅝ | 59⅞ | 18½ | 33⅜ | 17⅝ | 31½ | † .45 |
| Phillips Petroleum | 52⅜ | 38⅛ | 64 | 30⅛ | 43⅜ | 27¼ | 42⅝ | 2.00 |
| Procter & Gamble | 56 | 40¼ | 65½ | 43¼ | 52½ | 39½ | 50¾ | 2.00 |
| Public Service of N. J. | 50½ | 39 | 52¾ | 30⅜ | 35½ | 25 | 32¼ | †1.65 |
| Pullman | 69⅞ | 36⅞ | 72⅛ | 25½ | 36⅞ | 21⅝ | 34¾ | † .75 |
| Pure Oil | 24⅞ | 16 | 24⅜ | 8¾ | 13½ | 8¼ | 12⅜ | .... |
| **R** | | | | | | | | |
| Radio Corp. of America | 14¼ | 9¾ | 12¾ | 4¾ | 7¾ | 4¾ | 7½ | .... |
| Radio-Keith-Orpheum | 10⅞ | 5 | 10⅛ | 2¼ | 5⅜ | 1⅞ | 2¾ | .... |
| Remington Rand | 25 | 17½ | 29⅛ | 8⅛ | 15⅞ | 9⅝ | 14⅞ | * .70 |
| Republic Steel | 29⅞ | 16⅞ | 47¼ | 12¼ | 20¾ | 11¼ | 19¼ | .... |
| Reynolds (R. J.) Tob. Cl. B | 60½ | 50 | 58 | 40¼ | 46½ | 33¾ | 41⅜ | †1.80 |
| **S** | | | | | | | | |
| Safeway Stores | 49⅝ | 27 | 46 | 18 | 23⅝ | 12 | 18½ | † .50 |
| Schenley Distillers | 55⅞ | 37¾ | 51¾ | 22 | 27½ | 14⅛ | 19 | .... |
| Sears, Roebuck | 101½ | 59⅝ | 98⅝ | 49¾ | 70 | 47 | 68½ | *3.00 |
| Shattuck (F. G.) | 19¾ | 11⅛ | 17⅝ | 6½ | 9⅝ | 6¾ | 9⅜ | † .20 |
| Shell Union Oil | 28¼ | 14¾ | 34¾ | 14⅞ | 18¼ | 10 | 17⅞ | † .35 |
| Socony-Vacuum Corp | 17½ | 12½ | 23¼ | 13 | 16⅜ | 10¾ | 15¼ | .50 |
| Sperry Corp | 24⅛ | 15⅞ | 23¾ | 10 | 23⅝ | 15⅝ | 23⅛ | .... |
| Spiegel, Inc. | .... | .... | 28¾ | 8⅛ | 13⅞ | 6¼ | 13⅝ | .... |
| Standard Brands | 18⅛ | 14⅜ | 16¼ | 7½ | 9¼ | 6⅛ | 8¼ | † .50 |
| Standard Gas & Electric | 9⅞ | 5⅛ | 14⅜ | 2½ | 5½ | 2 | 4⅝ | .... |
| Standard Oil of Calif | 47⅝ | 35 | 50 | 27⅛ | 33⅞ | 25⅛ | 31⅞ | *1.00 |
| Standard Oil of Ind | 48½ | 32¾ | 50 | 26½ | 35½ | 24¾ | 33 | 1.00 |
| Standard Oil of N. J. | 70⅜ | 51⅛ | 76 | 42 | 56¼ | 39¾ | 55 | *1.00 |
| Stewart-Warner | 24½ | 16½ | 21 | 5½ | 11⅜ | 6 | 9⅞ | .... |
| Stone & Webster | 30½ | 14⅝ | 33⅝ | 6½ | 11¾ | 5½ | 10¾ | .... |
| Studebaker | 15⅞ | 9⅛ | 20 | 3 | 7⅛ | 3½ | 6½ | .... |
| Sun Oil | 91 | 70 | 77½ | 44½ | 57⅞ | 45 | 56 | .... |
| **T** | | | | | | | | |
| Texas Corp | 55¼ | 28⅞ | 65⅛ | 34¾ | 45¾ | 32⅝ | 44¼ | 2.00 |
| Texas Gulf Sulphur | 44¾ | 33 | 44 | 23¾ | 35 | 26 | 33⅞ | †1.50 |
| Texas Pacific Coal & Oil | 15¼ | 7½ | 16⅝ | 5⅜ | 11 | 7 | 10½ | .40 |
| Tide Water Assoc. Oil | 21¾ | 14¾ | 21⅝ | 13⅛ | 15½ | 10⅛ | 15¼ | 1.00 |
| Timken Detroit Axle | 27⅞ | 12⅛ | 28⅞ | 8¾ | 13⅞ | 8 | 12⅝ | .... |
| Timken Roller Bearing | 74½ | 56 | 79 | 36 | 50½ | 31¼ | 48¾ | † .50 |
| Twentieth Century-Fox | 38⅝ | 22½ | 40⅞ | 18½ | 26½ | 16⅛ | 25½ | †1.00 |
| **U** | | | | | | | | |
| Underwood-Elliott-Fisher | 102⅜ | 74⅝ | 100⅛ | 46¼ | 59⅝ | 41 | 58 | †1.50 |
| Union Carbide & Carbon | 105¼ | 71⅝ | 111 | 61¼ | 82 | 57 | 79¾ | †2.00 |
| Union Oil of Cal | 28½ | 20¾ | 28¼ | 17½ | 21⅝ | 17⅛ | 21¼ | 1.20 |
| United Aircraft | 32⅜ | 20⅝ | 35⅛ | 10¾ | 29⅛ | 19½ | 28⅜ | † .50 |
| United Carbon | 96¾ | 68 | 91 | 36¾ | 58¾ | 39 | 58¾ | 1.75 |
| United Corp | 9¼ | 5⅜ | 8½ | 2 | 3¾ | 2 | 3⅜ | .... |
| United Fruit | 87 | 66½ | 86¾ | 52 | 66½ | 50 | 65 | 3.00 |
| United Gas Imp | 19½ | 14⅛ | 17 | 9 | 11⅜ | 8¾ | 11¼ | 1.00 |
| U. S. Gypsum | 125¼ | 80½ | 137 | 53 | 96 | 55 | 87¾ | .... |
| U. S. Industrial Alcohol | 59 | 31¼ | 43⅝ | 16⅛ | 23¾ | 13½ | 22 | .... |
| U. S. Pipe & Fdy | 63⅞ | 21½ | 72¼ | 24 | 39⅜ | 21½ | 38½ | 2.00 |
| U. S. Rubber | 49⅜ | 16⅜ | 72⅜ | 20 | 39⅞ | 21 | 38 | .... |
| U. S. Smelting, Ref. & Mining | 103¾ | 72¼ | 105 | 52½ | 71 | 44¾ | 69 | †3.00 |
| U. S. Steel | 79⅞ | 46⅜ | 126½ | 48½ | 62⅛ | 38 | 59¾ | .... |
| U. S. Steel Pfd | 154¾ | 115½ | 150 | 100¼ | 114½ | 91¾ | 109¼ | 7.00 |
| Utilities Pw. & Lt., A | 7 | 3⅛ | 4⅞ | ¾ | 1¼ | ½ | 1 | .... |
| **V** | | | | | | | | |
| Vanadium | 30⅝ | 16¼ | 39⅜ | 9¼ | 20⅜ | 11½ | 19 | .... |
| **W** | | | | | | | | |
| Walworth Co | 12⅜ | 5½ | 18¾ | 3¼ | 9 | 4½ | 8⅝ | .... |
| Warner Brothers Pictures | 18⅜ | 9¼ | 18 | 4¾ | 7¾ | 3¾ | 6¾ | .... |
| Western Union Tel | 96⅛ | 72⅛ | 83½ | 22⅛ | 33½ | 16½ | 32¼ | .... |
| Westinghouse Air Brake | 50⅞ | 34¾ | 57¾ | 17¾ | 27½ | 15¾ | 25 | 1.00 |
| Westinghouse Elec. & Mfg. | 153½ | 94½ | 167⅝ | 87⅛ | 109⅞ | 61¾ | 98⅝ | †1.50 |
| Wilson & Co. | 11 | 6⅝ | 12¼ | 4⅝ | 5¾ | 3 | 4¾ | .... |
| Woolworth | 71 | 44¾ | 65⅜ | 34 | 48 | 36 | 46¾ | 2.40 |
| Worthington Pump & Mach | 36¾ | 23⅛ | 47 | 12 | 20 | 11¼ | 19 | .... |
| **Y** | | | | | | | | |
| Yellow Tr. & Coach, B | 23¼ | 8¾ | 37⅜ | 7½ | 16¾ | 8⅜ | 15⅞ | .... |
| Youngstown Sh. & Tube | 87¾ | 41¾ | 101⅞ | 34⅛ | 43¾ | 24 | 38½ | .... |
| **Z** | | | | | | | | |
| Zenith Radio | 42⅜ | 11⅛ | 43¾ | 11⅞ | 25¾ | 9 | 23½ | .... |

*—Not including extras. ‡—Paid last year. †—Paid this year.



LOEW'S INCORPORATED

"THEATRES EVERYWHERE"

*July 8th, 1938.*

THE Board of Directors on July 6th, 1938 declared a quarterly dividend of $1.62½ per share on the outstanding $6.50 Cumulative Preferred Stock of this Company, payable on the 15th day of August, 1938 to stockholders of record at the close of business on the 29th day of July, 1938. Checks will be mailed.

DAVID BERNSTEIN

*Vice-President & Treasurer*

## Financing Recovery

(*Continued from page* 380)

this problem in terms that the New Dealers and "The Forgotten Man" can understand. Suppose there was a great shortage of corn and the Government desired to see a big crop raised. Suppose, further, that in trying to get the farmer to raise a big crop the Government used the same methods that it has used and is using in its unsuccessful effort to bring about a privately financed recovery. The procedure would be something about as follows:

"Get busy on that corn," says the Government to the farmer, "or we'll step in and raise it ourselves."

"But look," replies the farmer, "after what you tax fellows took away from me out of last year's crop and what with higher wages and so forth I ain't got but 5% of my corn left for seed. And if I take a chance and plant, despite not knowing what the weather and the A A A regulations are going to be, how do I know you'll let me keep even 5% of my corn out of the next crop?"

"A 5% return is fair and reasonable in an average year," says the Government, "and if you keep less or none at all in a bad year, why that is your tough luck and your bad planning. You've been keeping too much of your corn, anyway. We're going to distribute more of your corn to the people from now on. In fact, we are already planning next year's revision and increase in the corn tax. Go ahead, now; plant that seed corn or else——"

Absurd? Not at all. The Government—the voters being willing—can carry out that "or else" threat and take over the matter of corn raising, but it cannot threaten or coerce or tax or argue the farmer into raising an abundance of corn by the methods here cited. Neither can it induce capital to go to work producing an abundance of goods and services with this method—and capital is nothing more nor less than the seed corn of our economic system as it has always heretofore been constituted.

We can have an adequate recovery in the employment of private money when the owners thereof have reason to believe that for at least an extended period of time the policies of the Government will not be incompatible with expectation of satisfactory return upon invested capital. It is conceivable that such psychological assurance may be provided by the outcome of the November elections. If not, we'll have to continue muddling along for some time to come with a none too effective economic system partly capitalist, partly collectivist. In no event will the Government completely withdraw. The principle of pump priming—compensatory governmental intervention in the economic cycle—is now firmly grafted on to us. If we are lucky we *may* learn how to make the thing work before we are wrecked on the rocks of loose fiscal policy that Mr. Roosevelt warned us against not so many years ago.

## Group Movements a Clue to Profits

(*Continued from page* 395)

in general as measured by the 330-stock index.

Opinions on the future action of various groups within the market will vary widely, and the background for individual industries can also be expected to change almost from month to month. The investor skillful enough to gauge the changes in the broad cycle of business will have won more than half the battle, but without some study of group movements he will be handicapped in getting the best practical results from his good judgment. The trends shown on the chart presented here may not be precisely repeated, but if not, it will be because of very definite new factors which should be the object of constant attention.

## Diamond Match Co.

(*Continued from page* 404)

the 1938 fiscal year this issue will receive a total of $2 a share in dividends, or its maximum participation. At the same time three quarterly dividends, payable the first of June, September and December, of 25 cents each, were declared on the common, together with a stock dividend of one-tenth of a share in the Pan American Match Corp. At the end of March, Pan American had a book value of about $34 a share.

Currently, there is not a great deal in the general business picture about which to become unduly excited. However, among major industries, construction is holding up better than most and gives promise of improvement. Now, while the Diamond Match Co. can hardly be said to represent building participation for the country as a whole, it does afford a good stake in certain territories. Better business conditions in New England probably would prove very helpful. The larger chain of yards operating in Northern and Central California is less affected by manufacturing activity than the New England chain, for the principal customers are farmers and ranchers of various kinds. Building materials are sold also to interests associated with mining. On the whole, the western yards draw trade from a broad diversified base which should make for stability.

It is not every company that can turn away from an original field and make a success of something different. The Diamond Match Co., however, is moving slowly and carefully towards a business which is at least allied to its old—and now relatively unprofitable—line of matches. One must consider, too, that the exceedingly strong financial position maintained by the company makes the transition period that much less hazardous. Selling for about $26 a share the company's common stock may move slowly, but the move is likely to be in the right direction.

## Are the Aircraft Stocks Still Bargains?

(*Continued from page* 388)

And what of the foreign customers? Will they pay the higher prices in view of what our competitors are preparing to offer them? Forty-four cents out of every dollar of revenues in the aircraft plants now go to shop labor. The question uppermost in the minds of the industry's managers is to what extent can shop labor increase its wages without ruining the business.

Only the hazard of Government interference with business may form an obstacle between the investor and a fair return on the money he has put into aircraft manufacturing. The industry is still dynamic. It is not unlike the early days of the motors, you can't keep it down.

## Cheap on Earnings and Prospects

(*Continued from page 393*)

increased rapidly and last March, stood at a new peak—86,149,000 barrels. Meanwhile, the general business outlook had become steadily worse and it became more and more apparent that consumption of gasoline this year would show little, if any, increase over 1937. Gasoline prices, particularly in the mid-continent field, weakened to the point where refiners were pressing for lower crude prices. The day was saved, however, by prompt action on the part of leading oil producing states in effecting Saturday and Sunday shut-downs and reducing allowables. Production has dropped steadily and for the week of June 25 output dropped 53,400 barrels to 3,083,900 barrels as compared with 3,529,600 a year ago. In the same week average daily crude runs to stills were 3,025,000 barrels, nearly 300,000 barrels less than last year at that time. Stocks of gasoline as of June 25 totaled 82,412,000 barrels, a decline of more than 2,000,000 barrels in a single week. With production and refinery runs slowing up and with consumption now in its best season, further improvement in the statistical position is definitely in sight. Gasoline prices have shown a much firmer tone. A further reduction of at least 11,000,000 barrels in gasoline stocks will be required to bring inventories by the end of the summer down to the level of 40 days' supply. It is obvious, therefore, that in order to insure the stability of the price structure crude output and refinery activity will permit no relaxation in restrictive efforts.

Being a large purchaser of crude oil, it might be supposed that Consolidated Oil would welcome a drop in crude prices. But any advantage that would be gained in this manner would, in all probability, be more than nullified by lower gasoline prices and the necessity of making substantial inventory adjustments against earnings. From the company's standpoint, therefore, stable rather than lower prices would be emminently more satisfactory.



## The Investment Clinic

(*Continued from page 403*)

"Broker & Co.—Securities." This is a charge against Broker & Co., since they are holding the securities for Mr. Smith, and the opening entry in the account is therefore on the debit side. Another account called "Broker & Co. — Cash" shows the balance held by or owed to the broker; if a credit balance it should be entered as a debit against "Broker & Co. — Cash," and vice versa. The third ledger account is the capital account, which may be called "John Smith—Investments." This must balance the first two accounts, representing the book value of Mr. Smith's investments and investment funds on the date the books are opened.

Mr. Smith will use his broker's monthly statements as his principal journal, posting transactions directly onto the security sheets in detail and into the ledger accounts in monthly totals. At the beginning of 1937, when he opens his books, his securities have a cost value of $22,000, in addition to which he has a credit balance with his broker of $3,000. "Broker & Co.—Securities" is debited with $22,000, "Broker & Co.—Cash" is debited with $3,000, and "John Smith—Investments" is credited with $25,000. A separate

market valuation shows the stocks and bonds in his account to be worth $8,000 more than they cost, but this unrealized profit is not formally entered in the capital account.

Three other control accounts, beside the three already mentioned, will complete the system—namely, "Interest," "Dividends," and "Profit & Loss." Entries are made in these accounts only monthly and in totals, so that a half dozen dividends received during the month of January appear as only one credit to "Dividends" and one debit to "Broker & Co.—Cash," although the items are shown separately on the backs of the individual security sheets. In the case of a sale, where the holding cost $2,000 and brings proceeds of $2,500, the entries are: 1. Debit "Broker & Co. — Cash" — $2,500; 2. Credit "Broker & Co.—Securities"—$2,000; 3. Credit "Profit & Loss"—$500.

A grasp of the double entry theory will solve any problems which are likely to arise, including the use of more than one brokerage account or a bank or safe deposit box at various times. At the end of the year dividends and interest will be closed out into the profit and loss account and the net figure will be brought from there into the capital account. No securities can be overlooked or ignored, the periodical valuation being a particularly helpful feature. Furthermore, the figures necessary for an income tax return are all in order and ready for use. With this system Mr. Smith will be able to make the information he digs out every year useful to himself as well as to the Government.

## American Industry Reports

*(Continued from page 381)*

Over the combined period 1929-1935 there was no surplus, more than half of total cash dividends of $14,904,-000,000 representing a draft on capital.

Moreover, the biggest single item of cost in that tremendous outlay for "materials, transportation, fuel" is also labor—labor employed by those selling to or serving manufacturing industry. Without doubt some companies have made large profits in the past and some workers have earned low wages, but these

have been and are the exceptions. In the aggregate industry does not revel in huge profits, nor does it exploit either the workers or the consumers.

## Answers to Inquiries

(*Continued from page 407*)

velopment there this year. Consequently, considering these factors in conjunction with the outlook for the oil industry generally, we feel it would be well for you to hold your 150 shares from this point on.

### General Motors

*After talking with acquaintances among automobile dealers I begin to wonder whether I should continue to hold 220 shares of General Motors acquired in 1935 at 47⅛. What are your recommendations?—V. T. M., Chicago, Ill.*

Possibly the best indication of the future of General Motors for this year is evidenced by the company's schedules for new car production during the months of July to October. At the present time these plans call for the building of 215,000 cars and trucks, and this estimate includes the initial quantities of 1939 models. Between now and September activity in their various units will undoubtedly be staggered. The fall undoubtedly will witness all plants back in production again. Of course the reason for the longer shutdown this year has been caused by the severe drop in automobile sales—a factor which the industry did not have to contend with in the spring and summer of 1937. The seasonal decline in production and sales during the third quarter of this year is likely to be augmented by the business depression and consequently this will mean lower earnings. Present estimates seem to indicate that actual earnings this year will be very little more, if as much, as the anticipated disbursement of $1.00 a share. On the other hand, capital expenditures have been cut decidedly and depreciation charges have been liberal. This rather suggests that the company is in a position to continue its 25-cent quarterly payment, assuming, of course, that business conditions do not get much worse; and when they improve, obviously larger dividends

may be expected.

In the light of these circumstances and considering the moderate level at which you acquired the shares we would counsel retention. Of course, not a great deal can be expected from the stock over the next few months based on present prospects, but over the longer term the issue is bound to reward the patient holder.

### Panhandle Producing & Refining Co.

*What are your recommendations on Panhandle Producing & Refining Co.? Am I warranted in holding my 200 shares bought at 3⅜ two years ago?—F. X. M., Salina, Kan.*

Any betterment which may take place in the common shares of Panhandle Producing & Refining Co. depends upon later developments involving the proposed reorganization of the company. As you well know, the reorganization plan was given court approval late last fall, and currently there is a good prospect for final consummation of the plan. New financing has been held up because of unfavorable security markets conditions. Under the reorganization plan, the sale of $600,000 in five-year convertible notes and exchange of present outstanding 16,800 shares of preferred on the basis of 35 shares of new common for each share of preferred, and would give common holders half a share of new common for each share held. For the quarter ended March 31, 1938, a net profit of $8,853, or a deficit of 12 cents a common share, after dividend requirements, was reported. This compares with earnings of 2 cents a share for the same period of 1937. Under the circumstances prevalent, we can see little for you to do but to continue retention of your shares. While they are admittedly speculative, we believe that due to final reorganization, some betterment will materialize marketwise and that the wisest course for you to follow is to continue retention in order to benefit from better prices.

## As I See It!

*(Continued from page 375)*

quotas. Later, this was cut to 60%, and on July 1 of this year rubber producers were advised that they would only be permitted to export 45% of their basic quotas. This must inevitably result in much higher prices for the commodity. I cite this case as just one instance indicating that the stage is being set for higher commodity prices generally.

In this setting I expect an inflationary rise in the United States—and the step taken almost simultaneously in late June in our country liberalizing bank borrowing and permitting commercial banks to make long-term loans, fits right into this picture.

Because corporations had been so well financed from 1926 to 1929 there was no great necessity for bank loans in the following depression, so that huge sums piled up for which there were no takers. However, the surplus tax law depleted the reserves of corporations large and small, and therefore, the necessity for new financing is here, is being made available by Government order, and will be used.

At the moment there is still uncertainty due to a poor business setting and political fears, but I believe that in a short time this attitude will change when the potentialities of inflation become more generally recognized.

There is, however, one fact that cannot be evaluated, yet which can upset all calculations — European war, which will continue to hang in the balance for the next month or more. Matters will come to a head before the end of the summer if there is to be any outbreak of war this year. The next six weeks should tell the story.

It is pitiful to think that our rehabilitation and the rest of the world finally rests on the will of the mad German triumvirate—Hitler, Goebbels and Goering. Until they are deposed, the productivity of the world will continue to be largely given over to implements of destruction instead of to the creation of wealth for all mankind. The fear of Germany throttles economic progress everywhere. Everywhere she goes she spreads confusion, misery and economic disorder, as in Austria. We need a change in this quarter so that the machinery of production can function once more for the benefit of all.

## Happening in Washington

*(Continued from page 385)*

**I C C reorganization** study to be made by Congressional committee will be prodded by New Dealers along lines of Roosevelt's suggestions for a transport authority, ostensibly to streamline procedure; but net result would be taking control of railroads away from independent, Congressionally-delegated body and giving it to the Executive.

**Budget balance,** closer now than for years, will be far out of reach again in few months and heavy borrowings will resume. So plans are underway to increase taxes next year, probably enlarging individual income base but undoubtedly hitting business too. Meanwhile New Dealers toy with idea of bolstering federal credit picture by abandoning cash budget bookkeeping, perhaps using accrual method or placing values on government assets like battleships and parks. Roosevelt recently remarked there are "as many theories of keeping books as there are ends to serve," and his speeches frequently contain shadows of coming events.

**States and cities** are preparing to fight Treasury's plans to extend federal taxes to their bonds and employees, and a long political and legal battle impends. First encounter will be over "authorities" for bridges, etc., irrigation districts, and the like. Administration will push relentlessly, both to get revenue and on theory that tax exemption is a device of the wicked rich.

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**Profits Ahead for the Rubbers—Which Stocks?**

By Raymond T. Force

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